

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other			Local Government Name <u>Houghton County</u>		County <u>Houghton</u>
Audit Date <u>9/30/05</u>		Opinion Date <u>2/9/06</u>		Date Accountant Report Submitted to State: <u>3-29-06</u>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.

2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ yes ☐ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).		X	

Certified Public Accountant (Firm Name) <u>Anderson, Tackman & Co, PLC</u>			
Street Address <u>102 W. Washington St., Suite 109</u>		City <u>Marquette</u>	State <u>MI</u>
Accountant Signature <u>Michael A. Ruff</u>		ZIP <u>49855</u>	

**COUNTY OF HOUGHTON, MICHIGAN
FINANCIAL STATEMENTS
For the Year Ended September 30, 2005**

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ANDERSON, TACKMAN & COMPANY, P.L.C.

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INDEPENDENT AUDITORS' REPORT

Honorable Chairman and Members
of the Board of Commissioners
County of Houghton, Michigan
Houghton, Michigan 49931

We have audited the accompanying financial statements of the governmental activities, business-type activities, discretely presented component units, major funds, and remaining fund information, of the County of Houghton, Michigan as of and for the year ended September 30, 2005, which collectively comprise the basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, discretely presented component units, major funds and remaining fund information of the County of Houghton, Michigan at September 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis, on pages 7 through 13 is not a required part of the basic financial statements, but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a separate report to management dated February 9, 2006 on our consideration of the County of Houghton, Michigan's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts, grant agreements and other matters.

Honorable Chairman and Members
of the Board of Commissioners
County of Houghton, Michigan

The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the County of Houghton, Michigan's basic financial statements. The combining and individual fund statements and schedules as listed as additional information in the accompanying table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements of the County of Houghton, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

February 9, 2006

County of Houghton, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the County of Houghton's financial performance provides an overview of the County's financial activities for the year ended September 30, 2005. Please read it in conjunction with the financial statements, which begin on page 14.

FINANCIAL HIGHLIGHTS

- Net assets for the County as a whole increased by \$1,275,979 as a result of this year's operations. Net assets of our business-type activities increased by \$678,154, or 4 percent, and net assets of our governmental activities increased by \$597,825, or 21 percent.
- During the year, the County had expenses for governmental activities that were \$7,759,527 and expenses for business type activities that were \$16,866,854.
- The General Fund reported a net fund balance of \$394,214 this \$196,815 higher than the forecasted balance of \$299,862.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 14 and 15) provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Fund financial statements start on page 16. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for the future spending. Fund financial statements also report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds. The remaining statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside the government.

Reporting the County as a Whole

Our analysis of the County as a whole begins on page 9. One of the most important questions asked about the County's finances is "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the County's *net* assets and changes in them. You can think of the County's net assets - the difference between assets and liabilities - as one way to measure the County's financial health, or *financial position*. Over time, *increases or decreases* in the County's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the County's patron base and the condition of the County's capital assets, to assess the *overall financial health* of the County.

In the Statement of Net Assets and the Statement of Activities, we divide the County into three kinds of activities:

- Governmental activities – Most of the County's basic services are reported here, including the legislative, judicial, public safety, recreation and culture, and general services and administration. Property taxes, charges for services and state sources fund most of these activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

- Business-type activities – The County charges a fee to customers to help it cover all or most of the cost of certain services it provides. The County's Medical Care Facility, Solid Waste Transfer, Airport and Marina are reported here.
- Component units – The County includes two separate legal entities in its report – the Western U.P. District Health Department and the Road Commission. Although legally separate, these "component units" are important because the County is financially accountable for them.

Reporting the County's Most Significant Funds

Our analysis of the County's major funds begins on page 11. The fund financial statements begin on page 16 and provide detailed information on the most significant funds – not the County as a whole. Some funds are required to be established by State law and by bond covenants. However, the County Commission establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using taxes, grants, and other money. The County's two kinds of funds - *governmental* and *proprietary* - use different accounting approaches.

- *Governmental funds* – Most of the County's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed *short-term view* of the County's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and Statement of Activities) and governmental *funds* in a reconciliation which follows the fund financial statements.
- *Proprietary funds* – When the County charges customers for the services it provides – whether to outside customers or to other units of the County – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the County's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the County's other programs and activities – such as the Delinquent Tax Revolving Funds.

The County as Trustee

The County is the trustee, or fiduciary, for assets that – because of a trust arrangement – can be used only for the trust beneficiaries. All of the County's fiduciary activities are reported in separate Statements of Fiduciary Net Assets on page 24. We exclude these activities from the County's other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

The County as a Whole

Table I provides a summary of the County's net assets as of September 30, 2005 and 2004.

Table 1
Net Assets

	Governmental Activities – 2005	Business-Type Activities – 2005	Total Primary Government – 2005	Governmental Activities – 2004	Business-Type Activities – 2004	Total Primary Government – 2004
Current and other assets	\$3,033,954	\$6,760,647	\$9,794,601	\$3,307,103	\$7,104,117	\$10,411,220
Capital assets, net	3,702,648	12,300,836	16,003,484	3,104,693	10,943,655	14,048,348
Total Assets	6,736,602	19,061,483	25,798,085	6,411,796	18,047,772	24,459,568
Current liabilities	683,234	1,602,752	2,285,986	1,240,487	1,790,837	3,031,324
Non-current liabilities	2,472,198	588,869	3,061,067	2,187,964	65,227	2,253,191
Total Liabilities	3,155,432	2,191,621	5,347,053	3,428,451	1,856,064	5,284,515
Net Assets:						
Invested in capital assets, net of related debt	1,368,591	12,040,438	13,409,029	1,309,554	10,865,660	12,175,214
Restricted	46,276	-	46,276	51,329	-	51,329
Unrestricted	2,166,303	4,829,424	6,995,727	1,622,462	5,326,048	6,948,510
Total Net Assets	\$3,581,170	\$16,869,862	\$20,451,032	\$2,983,345	\$16,191,708	\$19,175,053

Net assets of the County's governmental activities stood at \$3,581,170. *Unrestricted* net assets—the part of net assets that could be used to finance day-to-day activities without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$2,166,303.

The \$2,166,303 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The net assets of our business-type activities stood at \$16,869,862. The County can generally only use these net assets to finance continuing operations of Medical Care Facility, the Airport and other enterprise operations.

The results of this year's operations for the County as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net assets for fiscal year 2005 and 2004.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

Table 2
Changes in Net Assets

	Government Activities – 2005	Business-Type Activities – 2005	Total Primary Government – 2005	Governmental Activities – 2004	Business-Type Activities – 2004	Total Primary Government – 2004
Revenues						
Program Revenues:						
Charges for services	\$1,750,843	\$15,848,097	\$17,598,940	\$1,761,947	\$15,406,229	\$17,168,176
Operating grants and contributions	1,553,507	-	1,553,507	2,025,284	-	2,025,284
Capital grants and contributions	-	1,797,511	1,797,511	6,500	-	6,500
General Revenues:						
Property taxes	4,367,132	-	4,367,132	3,146,569	-	3,146,569
State Sources	166,372	-	166,372	530,968	-	530,968
Interest	193,634	7,790	201,424	99,351	5,168	104,519
Miscellaneous	217,474	-	217,474	138,072	-	138,072
Total Revenues	8,248,962	17,653,398	25,902,360	7,708,691	15,411,397	23,120,088
Program Expenses:						
Legislative	98,869	-	98,869	112,474	-	112,474
Judicial	1,346,834	-	1,346,834	1,344,866	-	1,344,866
Elections	23,791	-	23,791	12,491	-	12,491
General Services and Administration	1,335,239	-	1,335,239	1,665,601	-	1,665,601
Public Safety	2,152,191	-	2,152,191	1,987,179	-	1,987,179
Public Works	33,742	-	33,742	33,945	-	33,945
Health and Welfare	397,183	-	412,183	734,823	-	734,823
Community and Economic Development	323,452	-	323,452	647,224	-	647,224
Recreation and Culture	142,073	-	142,073	142,673	-	142,673
Other	1,866,804	-	1,866,804	1,603,226	-	1,603,226
Interest on Long-Term Debt	39,349	-	39,349	28,692	-	28,692
Medical Care Facility	-	13,531,873	13,531,873	-	12,810,096	12,810,096
Airport	-	1,158,038	1,158,038	-	1,146,106	1,146,106
911	-	1,309,409	1,309,409	-	617,670	617,670
Solid Waste Transfer	-	602,159	602,159	-	538,377	538,377
Airport Water/Sewer	-	39,537	39,537	-	40,186	40,186
Airport Testing	-	1,688	1,688	-	1,763	1,763
Marina	-	224,150	224,150	-	209,452	209,452
Total Expenses	7,759,527	16,866,854	24,626,381	8,313,194	15,363,650	23,676,844
Excess (deficiency) before transfers	489,435	786,544	1,275,979	(604,503)	47,747	(566,756)
Transfers	108,390	(108,390)	-	(80,000)	80,000	-
Increase (decrease) in net assets	597,825	678,154	1,275,979	(684,503)	127,747	(556,756)
Net assets, beginning	2,983,345	16,191,708	19,175,053	3,667,848	16,063,961	19,731,809
Net Assets, Ending	\$3,581,170	\$16,869,862	\$20,451,032	\$2,983,345	\$16,191,708	\$19,175,053

The County's total revenues were \$25,903,203. The total cost of all programs and services was \$24,626,381 leaving an increase in net assets of \$1,275,979. Our analysis below separately considers the operations of governmental and business-type activities:

Governmental Activities

The net assets of the County's governmental activities increased \$597,825 for the year ended September 30, 2005 as opposed to decreased \$684,503 in the previous year. This turn around was due to an increase in general fund revenues from a variety of sources. The largest source of increased revenue was in property tax revenue due to the billing of an additional 1/3 of County taxes during the years as dictated by the State of Michigan in a scheme to eliminate the State's obligation to make revenue sharing payments to Michigan Counties. Other sources of increased revenues were proceeds from the sale of real estate and an increase in investment income.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

Table 3 presents the cost of each of the five largest programs – Public Safety, General Services and Administration, Other Functions, Judicial and Health/Welfare– as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each program placed on the County's operation.

Table 3
Governmental Activities

	Total Cost of Services	Net Cost of Services
Public Safety	\$2,152,191	\$1,561,598
Other Functions	1,866,804	1866,804
Judicial	1,346,834	107,957
General Services and Administration	1,335,239	258,253
Health and Welfare	397,183	301,085

Business-type Activities

During the year ended September 30, 2005, the net assets of the County's business type activities increased by \$678,154 as opposed to an increase of \$127,747 in the previous year. The increase in growth of net assets was due primarily to the \$1,797,511 of Federal and State grant revenue received by the Airport Fund in 2005 where none was recognized in the prior year. The Houghton County 911 Fund realized an operating loss of \$750,285 for the year ended September 30, 2005 due to costs associated with the transfer of operations from the County's local dispatch center to the Michigan State Police.

THE COUNTY'S FUNDS

For the year ended September 30, 2005, the County's governmental funds reported a combined fund balance increase of \$390,574 resulting in a total fund balance of \$1,607,948 as of September 30, 2005. The bulk of this increase came from transactions in two new County Special Revenue Funds.

The first new Special Revenue Fund established by the County, called the Airport Passenger Facility Fund, will be used to more accurately track passenger facility charges (PFC) and their associated expenditures. These monies had previously been accounted for in the Airport Fund. The transfer of the balance of the PFC monies from the Airport Fund to the new Passenger Facility Fund resulted in the establishment of an initial fund balance of \$230,390 in that Fund. The overall effect to the County of this transaction is zero because the fund balance of the Airport Fund correspondingly went down by the same amount.

The second new Fund established by the County is known as the Revenue Sharing Fund and is used to track monies collected under the State of Michigan's scheme to temporarily replace revenue sharing as previously mentioned. This fund ended the year with an initial fund balance of \$244,031.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

General Fund Budgetary Highlights

Over the course of the year, the County Commissioners may revise the General Fund Budget. With these revisions, actual General Fund expenditures were \$39,989 less than the final amended budget while revenues were \$201,547 more than the final amended budget. Significant budget fluctuations include property tax revenues of \$125,090 in excess of budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2005 and 2004 respectively, the County had \$16,003,484 and \$14,048,348; invested in a variety of capital assets including land, buildings, and other equipment. (See table 4 below)

Table 4
Schedule of Capital Assets

	Governmental Activities – 2005	Business-Type Activities – 2005	Total Primary Government – 2005	Governmental Activities – 2004	Business-Type Activities – 2004	Total Primary Government – 2004
Land	\$1,117,565	\$ 42,854	\$1,160,419	\$1,117,565	\$ 42,854	\$1,160,419
Buildings and improvements	1,844,739	6,388,312	8,233,051	983,170	6,512,448	7,495,618
Equipment and furnishings	124,856	1,763,006	1,887,862	136,903	1,548,959	1,685,862
Infrastructure	-	3,620,870	3,620,870	-	2,315,571	2,315,571
Construction in progress	<u>615,488</u>	<u>485,794</u>	<u>1,098,282</u>	<u>867,055</u>	<u>523,823</u>	<u>1,390,878</u>
	<u>\$3,702,648</u>	<u>\$12,300,836</u>	<u>\$16,003,484</u>	<u>\$3,104,693</u>	<u>\$10,943,655</u>	<u>\$14,048,348</u>

Debt

At the end of fiscal year 2005 and 2004 respectively, the County had \$2,802,308 and \$2,091,419; in bonds and notes outstanding as depicted in Table 5 below.

Table 5
Schedule of Long-Term Debt

	Governmental Activities – 2005	Business-Type Activities – 2005	Total Primary Government – 2005	Governmental Activities – 2004	Business- Type Activities – 2004	Total Primary Government – 2004
General Obligation Bonds	\$1,795,000	\$ -	\$1,795,000	\$1,250,000	\$ -	\$1,250,000
Contracts and notes payable	<u>539,057</u>	<u>468,251</u>	<u>1,007,308</u>	<u>746,026</u>	<u>95,393</u>	<u>841,419</u>
	<u>\$2,334,057</u>	<u>\$468,251</u>	<u>\$2,802,308</u>	<u>\$1,996,026</u>	<u>\$95,393</u>	<u>\$2,091,419</u>

During the year ended September 30, 2005, the Medical Care Facility continued their facility improvement project which increased with additional \$385,048 paid from fund balance. The Airport had capital asset additions of \$1,867,863 for the reconstruction of the runway, perimeter fencing, perimeter road, snow removal equipment and terminal improvements; the major of these funds were paid with grant monies in the amount of \$ 1,797,511, the remaining \$70,352 will be reimbursed from the Passenger Facility Charge Collections. The residual \$22,179 in Business Type Activities was for equipment purchase through out these funds. The Business Type Activities had \$917,909 in Depreciation expense for the year. The Government Activities had capital asset additions of \$696,511 of which \$615,488 was added to Construction in Progress from this fiscal years work on the Arena

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

Project funds, which was financed through a \$650,000 bond with Superior National Bank. An additional \$47,273 was added to complete the Courthouse Improvement Project from the prior year and the residual \$33,750 in capital asset additions was for miscellaneous equipment purchases. The Governmental Activities record \$98,556 in depreciation expense for the fiscal year.

Two additional long term liabilities were record in the 911 fund in the current fiscal year. A \$222,000 note payable and a \$305,000 note payable from Superior National Bank; for the purchase of radio equipment needed to transfer 911 operations from the County to the Michigan State Police. This equipment was dispersed to the different local emergency response organizations within the County. The County no longer has a claim on this assets, therefore, they were not included in the 911 Funds capital assets, but were expensed as part of the relocation expenses.

The Governmental Activities had \$311,969 in principal payment reductions and the Business Type Activities had \$154,142 in principal payment reductions.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

In preparing the County's budget for the year ended September 30, 2006, the current economic health of the State of Michigan was of great concern. The prolonged economic turndown has caused a significant reduction in State revenues which threatens to affect any area within Houghton County that receives revenue from the State.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Controller's Office at Houghton County Courthouse, Houghton, Michigan 49931.

County of Houghton, Michigan

STATEMENT OF NET ASSETS

September 30, 2005

	Primary Government			
	Governmental Activities	Business Type Activities	Total	Component Units
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 373,550	\$ 1,418,315	\$ 1,791,865	\$ 1,577,945
Investments	448,902	718,445	1,167,347	-
Investments - restricted	-	2,585,043	2,585,043	-
Receivables (net)	1,919,271	1,750,198	3,669,469	1,872,324
Primary government internal balances	136,791	(136,791)	-	-
Inventory	-	204,780	204,780	558,930
Prepaid expenses and other assets	155,440	220,657	376,097	111,104
TOTAL CURRENT ASSETS	3,033,954	6,760,647	9,794,601	4,120,303
Non-current assets:				
Land and construction in progress	1,733,053	528,648	2,261,701	178,137
Other capital assets	3,096,550	21,491,942	24,588,492	17,375,261
Accumulated depreciation	(1,126,955)	(9,719,754)	(10,846,709)	(8,664,357)
Total Capital Assets	3,702,648	12,300,836	16,003,484	8,889,041
TOTAL NON-CURRENT ASSETS	3,702,648	12,300,836	16,003,484	8,889,041
TOTAL ASSETS	6,736,602	19,061,483	25,798,085	13,009,344
LIABILITIES:				
Current Liabilities:				
Accounts payable	190,528	372,987	563,515	96,425
Accrued liabilities	70,253	769,904	840,157	545,459
Deferred revenue	109,380	59,769	169,149	555,789
Compensated absences	137,503	178,684	316,187	208,415
Current portion of bonds payable	112,500	-	112,500	-
Current potion of notes and contracts payable	63,070	221,408	284,478	136,837
TOTAL CURRENT LIABILITIES	683,234	1,602,752	2,285,986	1,542,925
Non-current Liabilities:				
Compensated absences	313,711	342,026	655,737	473,209
Bonds payable	1,682,500	-	1,682,500	-
Long-term contracts and notes payable	475,987	246,843	722,830	184,154
Other	-	-	-	-
TOTAL NON-CURRENT LIABILITIES	2,472,198	588,869	3,061,067	657,363
TOTAL LIABILITIES	3,155,432	2,191,621	5,347,053	2,200,288
NET ASSETS				
Invested in capital assets net of related debt	1,368,591	12,040,438	13,409,029	8,568,050
Restricted for:				
Debt Service	46,276	-	46,276	-
Other activities	-	-	-	-
Unrestricted	2,166,303	4,829,424	6,995,727	2,241,006
TOTAL NET ASSETS	\$ 3,581,170	\$ 16,869,862	\$ 20,451,032	\$ 10,809,056

The accompanying notes are an integral part of these financial statements.

County of Houghton, Michigan

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended September 30, 2005

Function / Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business Type Activities	Component Units
Primary Government:							
Governmental Activities:							
Legislative	\$ 98,869	\$ -	\$ -	\$ -	\$ (98,869)	\$ -	\$ -
Judicial	1,346,834	498,784	740,063	-	(107,957)	-	(107,957)
Elections	23,791	-	-	-	(23,791)	-	(23,791)
General services and administration	1,335,239	896,293	180,693	-	(258,253)	-	(258,253)
Public safety	2,152,191	189,152	401,441	-	(1,561,598)	-	(1,561,598)
Public works	33,742	-	-	-	(33,742)	-	(33,742)
Health and welfare	397,183	8,345	87,753	-	(301,085)	-	(301,085)
Community and economic development	323,452	66,496	140,014	-	(116,942)	-	(116,942)
Recreation and culture	142,073	-	-	-	(142,073)	-	(142,073)
Other	1,866,804	-	-	-	(1,866,804)	-	(1,866,804)
Debt service	39,349	91,773	3,513	-	55,937	-	55,937
Total Governmental Activities	7,759,527	1,750,843	1,553,507	-	(4,455,177)	-	(4,455,177)
Business Type Activities:							
Medical Care Facility	13,531,873	13,458,540	-	-	-	(73,333)	(73,333)
Airport	1,158,038	903,367	-	1,797,511	-	1,542,840	1,542,840
911	1,309,409	551,334	-	-	-	(758,075)	(758,075)
Solid waste transfer	602,159	655,418	-	-	-	53,259	53,259
Airport water/sewer	39,537	50,474	-	-	-	10,937	10,937
Airport testing	1,688	-	-	-	-	(1,688)	(1,688)
Marina	224,150	228,964	-	-	-	4,814	4,814
Total Business Type Activities	16,866,854	15,848,097	-	1,797,511	-	778,754	778,754
TOTAL PRIMARY GOVERNMENT	\$ 24,626,381	\$ 17,598,940	\$ 1,553,507	\$ 1,797,511	(4,455,177)	778,754	(3,676,423)
Component Units:							
Western U.P. District Health Department	6,147,337	4,222,653	2,092,981	-	-	-	188,297
Road Commission	4,562,476	37,152	4,719,498	-	-	-	194,174
TOTAL COMPONENT UNITS	\$ 10,709,813	\$ 4,259,805	\$ 6,812,479	\$ -	-	-	382,471
General Revenues:							
Taxes					4,367,132	-	4,367,132
Unrestricted State sources					186,372	-	186,372
Interest and investment earnings					193,634	7,790	201,424
Miscellaneous					217,474	-	217,474
Transfers					108,390	(108,390)	-
TOTAL GENERAL REVENUES AND TRANSFERS					5,063,002	(100,600)	4,952,402
CHANGE IN NET ASSETS					597,825	678,154	1,275,979
Net assets, beginning of year,					2,983,345	16,191,708	19,175,053
NET ASSETS, END OF YEAR	\$ 3,581,170				\$ 16,869,862	\$ 20,451,032	\$ 10,809,056

The accompanying notes are an integral part of these financial statements.

County of Houghton, Michigan

GOVERNMENTAL FUNDS

BALANCE SHEET

September 30, 2005

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ -	\$ 761,629	\$ 761,629
Investments	-	436,384	436,384
Receivables	347,569	21,863	369,432
Taxes receivable	504,666	-	504,666
Due from State		20,600	20,600
Due from others	-	-	-
Due from other funds	141,763	40,465	182,228
Prepaid and other assets	46,060	109,380	155,440
TOTAL ASSETS	\$ 1,040,058	\$ 1,390,321	\$ 2,430,379
LIABILITIES AND FUND BALANCE			
LIABILITIES:			
Cash and investments overdraft	\$ 391,659	\$ 18,672	\$ 410,331
Accounts payable	149,283	41,245	190,528
Due to others	5,829	-	5,829
Due to other funds	40,465	1,500	41,965
Accrued payroll and related	28,216	3,249	31,465
Accrued sick and vacation	30,392	2,541	32,933
Deferred revenue	-	109,380	109,380
TOTAL LIABILITIES	645,844	176,587	822,431
FUND BALANCE:			
Designated for:			
Capital Outlay	101,812	-	101,812
Reserved for:			
Debt service	-	46,276	46,276
Unreserved, reported in:			
General Fund	292,402	-	292,402
Special Revenue Funds	-	1,012,510	1,012,510
Capital Projects Funds	-	154,948	154,948
TOTAL FUND BALANCE	394,214	1,213,734	1,607,948
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,040,058	\$ 1,390,321	\$ 2,430,379

The accompanying notes are an integral part of these financial statements.

County of Houghton, Michigan

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS

September 30, 2005

Total Fund Balances for Governmental Funds	\$ 1,607,948
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*Amounts reported for governmental activities in the statement
of net assets are different because:*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	3,702,648
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Internal service funds are used by management to administer the activities of the Delinquent Tax Revolving Funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets, net of capital assets.	1,051,574
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Long-term liabilities, including bonds payable, are not due and payable
in the current period and therefore are not reported in the funds.

Accrued interest on bonds	\$ 28,662	
Current portion of compensated absences	104,570	
Current portion of bonds payable	112,500	
Current portion of notes and contracts payable	63,070	
Compensated absences	313,711	
Bonds payable	1,682,500	
Long-term contracts and notes payable	<u>475,987</u>	
		<u>(2,781,000)</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 3,581,170</u>
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The accompanying notes are an integral part of these financial statements.

County of Houghton, Michigan

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Fiscal Year Ended September 30, 2005

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:			
Taxes	\$ 3,370,548	\$ 996,584	\$ 4,367,132
Licenses and permits	301,247	-	301,247
Federal sources	19,296	265,084	284,380
State sources	1,207,222	214,600	1,421,822
Local units	-	13,677	13,677
Charges for services	994,063	232,099	1,226,162
Fines and forfeits	-	4,500	4,500
Interest	144,859	15,544	160,403
Other	214,396	3,078	217,474
TOTAL REVENUES	6,251,631	1,745,166	7,996,797
EXPENDITURES:			
Current operations:			
Legislative	98,869	-	98,869
Judicial	1,328,268	18,566	1,346,834
Elections	23,791	-	23,791
General services and administration	1,298,317	10,572	1,308,889
Public safety	1,553,049	550,055	2,103,104
Public works	33,742	-	33,742
Health and welfare	2,000	388,896	390,896
Community and economic development	-	323,452	323,452
Recreation and culture	142,073	-	142,073
Other	1,569,051	-	1,569,051
Capital Outlay	159,318	661,143	820,461
Debt service	113,760	240,888	354,648
TOTAL EXPENDITURES	6,322,238	2,193,572	8,515,810
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(70,607)	(448,406)	(519,013)
OTHER FINANCING SOURCES (USES):			
Loan proceeds	-	650,000	650,000
Transfers in	1,032,252	782,750	1,815,002
Transfers out	(744,360)	(637,252)	(1,381,612)
Transfers to component units	(173,803)	-	(173,803)
TOTAL OTHER FINANCING SOURCES (USES)	114,089	795,498	909,587
CHANGE IN FUND BALANCE	43,482	347,092	390,574
Fund balance, beginning of year	350,732	866,642	1,217,374
FUND BALANCE, END OF YEAR	\$ 394,214	\$ 1,213,734	\$ 1,607,948

The accompanying notes are an integral part of these financial statements.

County of Houghton, Michigan

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For the Fiscal Year Ended September 30, 2005

Net Change in Fund Balances - Total Governmental Funds	\$	390,574
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*Amounts reported for governmental activities in the statement
of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	696,511		
Depreciation expense	<u>(98,556)</u>		
			597,955

Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net assets.	(650,000)
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	311,970
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In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	3,329
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Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	65,357
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Internal service funds are used by management to administer the activities of the Delinquent Tax Revolving Funds. The net revenue of the internal service funds are included in governmental activities in the statement of net assets.	(121,360)
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u>597,825</u>
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County of Houghton, Michigan

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended September 30, 2005

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 3,266,207	\$ 3,234,724	\$ 3,370,548	\$ 135,824
Licenses and permits	282,500	292,050	301,247	9,197
Federal sources	20,000	20,000	19,296	(704)
State sources	1,787,927	1,200,388	1,207,222	6,834
Charges for services	1,054,035	940,494	994,063	53,569
Interest	191,000	164,000	144,859	(19,141)
Other revenues	126,735	198,428	214,396	15,968
TOTAL REVENUES	6,728,404	6,050,084	6,251,631	201,547
EXPENDITURES:				
Legislative	100,162	100,162	98,869	1,293
Judicial	1,372,435	1,344,491	1,328,268	16,223
Elections	21,375	25,395	23,791	1,604
General services and administration	1,277,503	1,272,685	1,298,317	(25,632)
Public safety	1,521,644	1,576,351	1,553,049	23,302
Public works	33,456	33,672	33,742	(70)
Health and welfare	2,000	2,000	2,000	-
Recreation and culture	13,738	144,310	142,073	2,237
Other	1,557,600	1,609,348	1,569,051	40,297
Capital outlay	130,221	137,908	159,318	(21,410)
Debt service	101,750	115,905	113,760	2,145
TOTAL EXPENDITURES	6,131,884	6,362,227	6,322,238	39,989
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	596,520	(312,143)	(70,607)	241,536
OTHER FINANCING SOURCES (USES):				
Loan proceeds	-	-	-	-
Transfers in	490,000	1,095,810	1,032,252	(63,558)
Transfers (out)	(962,390)	(762,000)	(744,360)	17,640
Transfers to component units	(175,000)	(175,000)	(173,803)	1,197
TOTAL OTHER FINANCING SOURCES (USES)	(647,390)	158,810	114,089	(44,721)
CHANGE IN FUND BALANCE	(50,870)	(153,333)	43,482	196,815
Fund balance, beginning of year	350,732	350,732	350,732	-
FUND BALANCE, END OF YEAR	\$ 299,862	\$ 197,399	\$ 394,214	\$ 196,815

The accompanying notes are an integral part of these financial statements.

County of Houghton, Michigan

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

September 30, 2005

	Business - Type Activities Enterprise Funds				Governmental Activities
	Medical Care Facility Operating Fund	Airport Fund	Non-major Enterprise Funds	Total	Internal Service Funds
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 2,418,883	\$ -	\$ 43,745	\$ 2,462,628	\$ 605,260
Investments	617,456	-	100,989	718,445	12,518
Investments-restricted	2,585,043	-	-	2,585,043	-
Accounts receivable, net	883,423	56,878	149,255	1,089,556	-
Accrued interest receivable	-	-	-	-	81,414
Delinquent taxes receivable	-	-	-	-	939,687
Due from State	660,642	-	-	660,642	-
Due from others	-	-	-	-	-
Due from other funds	-	-	-	-	-
Inventory	119,841	75,787	9,152	204,780	-
Prepaid and other assets	197,432	13,125	10,100	220,657	-
TOTAL CURRENT ASSETS	7,482,720	145,790	313,241	7,941,751	1,638,879
Non-current Assets:					
Land and construction in progress	38,006	461,615	29,027	528,648	-
Capital assets	13,590,927	6,135,727	1,765,288	21,491,942	-
Accumulated depreciation	(6,865,027)	(1,893,696)	(961,031)	(9,719,754)	-
TOTAL NON-CURRENT ASSETS	6,763,906	4,703,646	833,284	12,300,836	-
TOTAL ASSETS	14,246,626	4,849,436	1,146,525	20,242,587	1,638,879
LIABILITIES					
Current Liabilities:					
Cash fund overdraft	-	1,000,759	43,554	1,044,313	583,008
Accounts payable	227,531	76,778	68,678	372,987	-
Due to other units	-	-	-	-	4,297
Due to other funds	-	-	136,791	136,791	-
Accrued payroll and related liabilities	93,413	4,113	2,583	100,109	-
Accrued sick and vacation pay	114,009	48,209	16,466	178,684	-
Resident trust funds	4,487	-	-	4,487	-
Medicaid interim payments	665,308	-	-	665,308	-
Deferred revenue	-	-	59,769	59,769	-
Current portion of long-term debt	-	13,555	207,853	221,408	-
TOTAL CURRENT LIABILITIES	1,104,748	1,143,414	535,694	2,783,856	587,305
Non-current Liabilities:					
Accrued sick and vacation pay	342,026	-	-	342,026	-
Notes payable	-	16,875	229,968	246,843	-
TOTAL NON-CURRENT LIABILITIES	342,026	16,875	229,968	588,869	-
TOTAL LIABILITIES	1,446,774	1,160,289	765,662	3,372,725	587,305
NET ASSETS					
Invested in capital assets net of related debt	6,763,906	4,673,216	603,316	12,040,438	-
Unrestricted	6,035,946	(984,069)	(222,453)	4,829,424	1,051,574
TOTAL NET ASSETS	\$ 12,799,852	\$ 3,689,147	\$ 380,863	\$ 16,869,862	\$ 1,051,574

The accompanying notes are an integral part of these financial statements.

County of Houghton, Michigan

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Fiscal Year Ended September 30, 2005

	Business - Type Activities Enterprise Funds				Governmental Activities
	Medical Care Facility Operating Fund	Airport Fund	Non-major Enterprise Funds	Total	Internal Service Funds
OPERATING REVENUES:					
Charges for services (net)	\$ 11,761,660	\$ 742,911	\$ 1,461,895	\$ 13,966,466	\$ -
State sources	-	1,797,511	-	1,797,511	-
Penalties and interest on taxes	-	-	-	-	148,923
Interest earned	-	-	-	-	33,231
Collection fee on taxes	-	-	-	-	61,771
Other operating revenue	14,822	160,456	24,295	199,573	8,240
TOTAL OPERATING REVENUES	11,776,482	2,700,878	1,486,190	15,963,550	252,165
OPERATING EXPENSES:					
Operating expenses	12,384,162	1,017,235	2,024,715	15,426,112	48,525
Depreciation	624,877	140,803	152,228	917,908	-
TOTAL OPERATING EXPENSES	13,009,039	1,158,038	2,176,943	16,344,020	48,525
OPERATING INCOME (LOSS)	(1,232,557)	1,542,840	(690,753)	(380,470)	203,640
NON-OPERATING REVENUES (EXPENSES):					
Investment income	-	-	7,790	7,790	-
Other non-operating revenues	1,682,058	-	-	1,682,058	-
Maintenance of effort	(522,834)	-	-	(522,834)	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	1,159,224	-	7,790	1,167,014	-
INCOME (LOSS) BEFORE TRANSFERS	(73,333)	1,542,840	(682,963)	786,544	203,640
Transfers in	-	200,000	-	200,000	-
Transfers (out)	-	(238,390)	(70,000)	(308,390)	(325,000)
CHANGE IN NET ASSETS	(73,333)	1,504,450	(752,963)	678,154	(121,360)
Net assets, beginning of year	12,873,185	2,184,697	1,133,826	16,191,708	1,172,934
NET ASSETS, END OF YEAR	\$ 12,799,852	\$ 3,689,147	\$ 380,863	\$ 16,869,862	\$ 1,051,574

The accompanying notes are an integral part of these financial statements.

County of Houghton, Michigan

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

For the Fiscal Year Ended September 30, 2005

	Business -Type Activities Enterprise Funds				Governmental Activities Internal Service Funds
	Medical Care Facility Operating Fund	Airport Fund	Non-major Enterprise Funds	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from fees and charges for services	\$ 11,747,289	\$ 754,764	\$ 1,463,741	\$ 13,965,794	\$ 206,182
Federal and state grants	-	1,797,511	-	1,797,511	-
Other operating revenues	14,822	160,456	24,295	199,573	8,240
Interest income in internal service funds	-	-	-	-	33,231
Cash payments to employees for services	(7,199,807)	(273,026)	(8,186)	(7,481,019)	-
Cash payments for payroll taxes	(539,212)	(20,667)	-	(559,879)	-
Cash payments to suppliers for goods and services	(4,537,159)	(731,755)	(2,007,877)	(7,276,791)	(48,525)
Cash received from (paid for) delinquent taxes	-	-	-	-	(534,686)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(514,067)</u>	<u>1,687,283</u>	<u>(528,027)</u>	<u>645,189</u>	<u>(335,558)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:					
Cash received from property and other taxes	1,249,160	-	-	1,249,160	-
Cash received from proportionate share reimbursement, net of intergovernmental transfers	424,692	-	-	424,692	-
Cash received from contributions and other sources	8,206	-	-	8,206	-
Cash payments for County maintenance of effort	(522,834)	-	-	(522,834)	-
Increase (decrease) in due to other funds	-	-	(15,000)	(15,000)	(247,009)
Transfers in (out)	-	-	(70,000)	(70,000)	(325,000)
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	<u>1,159,224</u>	<u>-</u>	<u>(85,000)</u>	<u>1,074,224</u>	<u>(572,009)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Cash payments for capital assets	(407,226)	(1,867,862)	-	(2,275,088)	-
Principal payments on notes	-	(12,768)	385,626	372,858	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(407,226)</u>	<u>(1,880,630)</u>	<u>385,626</u>	<u>(1,902,230)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest income	-	-	7,790	7,790	-
(Increase) decrease in investments	(617,456)	-	(100,989)	(718,445)	(12,518)
(Additions) deductions to board designated and restricted assets	(377,829)	177,600	-	(200,229)	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(995,285)</u>	<u>177,600</u>	<u>(93,199)</u>	<u>(910,884)</u>	<u>(12,518)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(757,354)</u>	<u>(15,747)</u>	<u>(320,600)</u>	<u>(1,093,701)</u>	<u>(920,085)</u>
Cash and cash equivalents, beginning of year	3,176,237	(985,012)	320,791	2,512,016	942,337
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,418,883</u>	<u>\$ (1,000,759)</u>	<u>\$ 191</u>	<u>\$ 1,418,315</u>	<u>\$ 22,252</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	\$ (1,232,557)	\$ 1,504,450	\$ (690,753)	\$ (418,860)	\$ 203,640
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	624,877	140,803	152,227	917,907	-
Change in assets and liabilities:					
(Increase) decrease in accounts receivable	(12,703)	11,853	1,846	996	-
(Increase) decrease in accrued interest receivable	-	-	-	-	(4,512)
(Increase) decrease in delinquent taxes receivable	255,907	-	-	255,907	(34,344)
(Increase) decrease in due from State	(1,668)	-	-	(1,668)	-
(Increase) decrease in due from others	-	-	-	-	40,488
(Increase) decrease in inventory	(3,847)	(25,715)	201	(29,361)	-
(Increase) decrease in prepaid expenses	(49,793)	3,388	3,974	(42,431)	-
Increase (decrease) in accounts payable	(170,464)	43,467	12,664	(114,333)	-
Increase (decrease) in accrued payroll and related liabilities	16,367	1,129	(2,688)	14,808	-
Increase (decrease) in accrued sick and vacation	48,672	7,908	(5,498)	51,082	-
Increase (decrease) in resident trust funds	665	-	-	665	-
Increase (decrease) in Medicaid interim payments	10,477	-	-	10,477	-
Increase (decrease) in due to others	-	-	-	-	(540,830)
Increase (decrease) in deferred revenue	-	-	-	-	-
NET ADJUSTMENTS	<u>718,490</u>	<u>182,833</u>	<u>162,726</u>	<u>1,064,049</u>	<u>(539,198)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (514,067)</u>	<u>\$ 1,687,283</u>	<u>\$ (528,027)</u>	<u>\$ 645,189</u>	<u>\$ (335,558)</u>

The accompanying notes are an integral part of these financial statements.

County of Houghton, Michigan

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

September 30, 2005

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	<u>\$ 942,093</u>
TOTAL ASSETS	<u><u>\$ 942,093</u></u>
LIABILITIES	
Due to other funds	\$ 3,472
Due to others	<u>938,621</u>
TOTAL LIABILITIES	<u><u>\$ 942,093</u></u>

The accompanying notes are an integral part of these financial statements.

County of Houghton, Michigan

COMPONENT UNITS

COMBINING STATEMENT OF NET ASSETS

September 30, 2005

	Western U.P. District Health Department	Road Commission	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 570,265	\$ 1,007,680	\$ 1,577,945
Investments	-	-	-
Receivables, net	1,123,268	749,056	1,872,324
Due from others	-	-	-
Inventory	-	558,930	558,930
Prepaid expenses and other assets	108,832	2,272	111,104
TOTAL CURRENT ASSETS	1,802,365	2,317,938	4,120,303
Non-Current Assets:			
Capital assets:			
Land and construction in progress	90,000	88,137	178,137
Other capital assets	1,621,437	15,753,824	17,375,261
Accumulated depreciation	(843,233)	(7,821,124)	(8,664,357)
Total Capital Assets	868,204	8,020,837	8,889,041
TOTAL NON-CURRENT ASSETS	868,204	8,020,837	8,889,041
TOTAL ASSETS	2,670,569	10,338,775	13,009,344
LIABILITIES			
Current Liabilities:			
Accounts payable	96,063	362	96,425
Due to State of Michigan	926	-	926
Accrued payroll	223,829	26,521	250,350
Deferred revenue	187,789	368,000	555,789
Compensated absences - current portion	125,072	83,343	208,415
Current portion of notes and contracts payable	136,837	-	136,837
Advances	-	294,183	294,183
TOTAL CURRENT LIABILITIES	770,516	772,409	1,542,925
Non-current Liabilities:			
Compensated absences	223,182	250,027	473,209
Notes payable	184,154	-	184,154
TOTAL NON-CURRENT LIABILITIES	407,336	250,027	657,363
TOTAL LIABILITIES	1,177,852	1,022,436	2,200,288
NET ASSETS			
Invested in capital assets net of related debt	547,213	8,020,837	8,568,050
Unrestricted	945,504	1,295,502	2,241,006
TOTAL NET ASSETS	\$ 1,492,717	\$ 9,316,339	\$ 10,809,056

The accompanying notes are an integral part of these financial statements.

County of Houghton, Michigan

COMPONENT UNITS

COMBINING STATEMENT OF ACTIVITIES

For the Fiscal Year Ended September 30, 2005

Function / Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Western U.P. District Health Department	Road Commission	Total
Western U.P. District Health Department Operations	\$ 4,222,653	\$ 2,092,981	\$ -	\$ 168,297	\$ -	\$ 168,297
Road Commission Operations	37,152	4,719,498	-	-	194,174	194,174
TOTAL COMPONENT UNITS	\$ 4,259,805	\$ 6,812,479	\$ -	168,297	194,174	362,471
General Revenues:						
Property taxes				-	478,394	478,394
Interest and investment earnings				-	18,322	18,322
Miscellaneous				-	97,664	97,664
TOTAL GENERAL REVENUES AND EXTRAORDINARY ITEMS					594,380	594,380
CHANGE IN NET ASSETS						
				168,297	788,554	956,851
Net assets, beginning of year				1,324,420	8,527,785	9,852,205
NET ASSETS, END OF YEAR				\$ 1,492,717	\$ 9,316,339	\$ 10,809,056

The accompanying notes are an integral part of these financial statements.

COUNTY OF HOUGHTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The County of Houghton, Michigan was organized in 1845 and covers an area of approximately 1,031 square miles with the County Seat located in Houghton, Michigan. The County operates under an elected Board of Commissioners of five (5) members and provides services, assistance and care to its residents.

The financial statements of the County have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant of these accounting policies established in GAAP and used by the County are described below.

(1) REPORTING ENTITY

The County's financial statements present the County (the primary government) and its component units. In evaluating the County as a reporting entity, management has addressed all potential component units (traditionally separate reporting units) for which the County may or may not be financially accountable and, as such, be includable within the County's financial statements. The component units discussed below are included in the reporting entity because of the significance of their operational or financial relationship with the County.

Blended Component Units

The Houghton County Department of Human Services is governed by a three member board. Two are appointed by the County Board and one is appointed by the governor. In addition, one County board member serves as a non-voting member. Although the employees are employed by the State of Michigan, and the State pays for most of the programs, the entity is considered part of the primary government because State law makes it a county organization.

The Houghton County Medical Care Facility (MCF) is governed by a three member board. Two are appointed by the County Board and one is appointed by the governor. In addition, one County board member serves as a non-voting member. Although it is distinct entity from the county, the MCF is reported as if it were part of the primary government because its sole purpose is to provide skilled nursing services to residents of the County of Houghton.

Discretely Presented Component Units

The component units columns in the combined financial statements include the financial data of the County's other component units. They are reported in a separate column to emphasize that they are legally separate from the County.

The Western Upper Peninsula District Health Department (WUPDHD) provides limited health services to the residents of Houghton, Ontonagon, Gogebic, Baraga and Keweenaw Counties. The County of Houghton, and the other counties, provides an annual subsidy to the WUPDHD.

The Houghton County Road Commission is responsible for the maintenance and construction of roads in the County of Houghton. The members of the governing board of the Road Commission are appointed by the County Commission. Although the County does not have the authority to approve or modify the Road Commission's operational and capital budgets, bonded debt must be approved by the County Commission.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Complete financial statements of the individual component units can be obtained from the Controller's office at the Courthouse or at the respective administrative offices as noted below:

- Houghton County Family Independence Agency
County Welfare Building - 200 Quincy Street
Hancock, Michigan 49930
- Houghton County Medical Care Facility
100 Quincy Street
Hancock, Michigan 49930
- Western Upper Peninsula District Health Department
540 Depot Street
Hancock, Michigan 49930
- Houghton County Road Commission
P.O. Box 269
Hancock, Michigan 49930

(2) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE FINANCIAL STATEMENTS:

The County's basic financial statements include both government-wide (reporting the County as a whole) and fund financial statements (reporting the County's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The County's legislative, judicial, public safety, recreation and culture and general services and administration are classified as governmental activities. The County's Medical Care Facility, Solid Waste Transfer, Airport and Marina are classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The County first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the County's functions and business-type activities. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net costs (by function or business-type activity) are normally covered by general revenue.

The government-wide focus is more on the sustainability of the County as an entity and the change in the County's net assets resulting from the current year's activities. For the most part, the effect of interfund activities has been removed from these statements.

(3) BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS:

The financial transactions of the County are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

The following fund types are used by the County:

Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the County:

General Fund - General Fund is the general operating fund and, accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds).

Component Units - Component units are used to account for the discretely presented component units which follow governmental fund accounting guidelines.

Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the County:

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Funds - Internal Service Funds are used to finance, administer and account for the financing of goods and services provided by one department or agency to other departments or agencies of the governmental unit or to other governmental units on a cost reimbursement basis.

Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support County programs. The agency fund is custodial in nature and does not present results of operations or have a measurement focus.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds.

The County reports the following major governmental funds:

- The **General Fund** is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The County reports the following major proprietary funds:

- The **Medical Care Facility Operating Fund** accounts for the activities related to the operation of the County's Medical Care Facility.
- The **Airport Fund** accounts for the activities related to the operation of the County's Airport.

The County's internal service funds are presented in the proprietary funds financial statements. Because the principal users of the internal services are the County's governmental activities, the financial statement of the internal service fund is consolidated into the governmental column when presented in the government-wide financial statements. The cost of these services is reported in the general services and administration functional activity.

The County's fiduciary funds are presented in the fiduciary fund financial statements by type (agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the County, these funds are not incorporated into the government-wide statements.

(4) BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

All enterprise funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified basis of accounting, revenues are recorded when they are both measurable and available. "Available" means collectible within the current period or within 60 days of the end of the current fiscal period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. However, debt service expenditures, compensated absences, and claims and judgments are recorded only when payment is due.

(5) FINANCIAL STATEMENT AMOUNTS

Budgets and Budgetary Accounting - The County follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The County Controller submits to the County Board of Commissioners proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Numerous opportunities exist for public comment during the budget process including at least two formal public hearings conducted at the Courthouse to obtain taxpayer comment.
- c. Pursuant to statute, prior to September 30 of each year the budget for the ensuing year is legally enacted through adoption of an Annual General Appropriations Act.
- d. The general statute governing County budgetary activity is the State of Michigan Uniform Budgeting and Accounting Act. In addition to the provisions of the said Act and Board policy, general statements concerning the Board's intent regarding the administration of each year's budget are set out in the Annual General Appropriations Act. The Houghton County Board of Commissioners, through policy action, specifically directs the Controller not to authorize or participate in any expenditure of funds except as authorized by the Annual General Appropriations Act. The Board recognized that, in addition to possible Board sanctions for willful disregard of this policy, State statutes provide for civil liability for violations of the Annual General Appropriations Act.
- e. The Houghton County Controller is authorized by means of County policy to make certain transfers:
 1. The Controller receives a request for a budget transfer from the head of the department whose budget is to be affected. Such request must specify the necessity for the transfer, the account name and/or group(s) and amounts to be affected within prescribed limitations. Transfers in excess of those limitations must be approved by the Board of Commissioners.
 2. The following considerations must be reviewed in determination of transfer approvals:
 - a. Are the transfers consistent with the intent of the Board of Commissioners in adopting the annual budget?
 - b. Will the transfer maintain the financial integrity of the County?
 - c. Will the transfer provide a reasonable solution to the departmental operating problem?

Considering the above, the Controller will then decide whether or not the transfer should be made.

Supplemental appropriations are submitted to and reviewed by the County Controller and submitted to the Budget Committee for further consideration. If approved, they are transmitted to the County Board of Commissioners for their review and approval. If approved, they are implemented by the Controller's Office through a budget revision.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

- f. The County of Houghton adopts its Annual Budget on a departmental basis. At each level of detail, governmental operations are summarized into expenditure account groups. Funding sources are also identified and adopted at each level of detail. Budgetary control exists at the most detailed level adopted by the Board of Commissioners, i.e., department for analytical purposes. A detailed line item breakdown is prepared for each program. Accounting, i.e., classification control, resides at the line item detail level.
- g. Budgets for the General and Special Revenue Funds were adopted in substance on an accrual basis which is consistent with generally accepted accounting principles. Budgeted amounts as reported in the Financial Report are as originally adopted and/or amended by the County Board of Commissioners.

Cash Equivalents and Investments - For the purposes of balance sheet classification and the statement of cash flows, cash and equivalents consist of demand deposits, cash in savings, money market accounts and certificates of deposit. Investments are carried at fair value.

Inventory - Inventory is valued at the lower of cost (first-in, first-out) or market. Inventory in the Special Revenue and Enterprise Funds consists of expendable supplies and materials held for consumption. Inventory is charged to operations upon consumption by the various operating funds within the County.

Capital Assets – Capital assets, which include property, plant, equipment and infrastructure assets (e.g. streets, bridges, and sidewalks), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of five years.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their fair value on the date donated. Depreciation on all exhaustible capital assets is charged as an expense against their operations in government-wide statements and proprietary financial statements. Accumulated depreciation is reported on government-wide and proprietary statement of net assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Land improvements	20-40 years
Building, structures and improvements	40 years
Equipment	5-20 years
Water and Sewage System	20 years
Vehicles	5 years
Infrastructure	20-50 years

Long-Term Liabilities – In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using straight line amortization. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt received, are reported as debt service.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reporting of certain assets, liabilities, revenues, and expenditures. Actual results may differ from estimated amounts.

Property Taxes – Property taxes are levied as of December 1 and July 1 of each year and are due by the last day of the following March. The taxes are collected by the local units of government within the County and periodically remitted to the County during the collection period. It is the County's policy, through its Internal Service 100% Tax Payment Fund, to purchase delinquent real property taxes and special assessments each year to afford 100% collection of the current levy.

Compensated Absences – The County accrues accumulated unpaid vacation and sick leave days and associated employee-related costs when earned (or estimated to be earned) by the employee. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

Deferred Revenues – Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met.

- (1) The Economic Development Revolving Loan Special Revenue Fund type has deferred revenue amounting to \$109,380. This amount represents Michigan Small Cities Block Grant Loans to various businesses. Terms vary with respect to repayment of these loans. Proceeds from repayments on these loans will be used for future County economic development.
- (2) The 911 Enterprise Fund has deferred revenue amounting to \$59,769. This amount represents a grant from the State of Michigan for equipment purchases
- (3) The Western U.P. District Health Department Component Unit Fund has deferred revenue of \$187,789. This amount represents advance grant/contract payments from the State of Michigan.
- (4) The Houghton County Road Commission has deferred revenue of \$368,000. This amount represents advance grant payments from the State of Michigan for road construction projects.

Interfund Activity – Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a result of the reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

NOTE B – DEPOSITS AND INVESTMENTS:

Cash Equivalents

The following is a reconciliation of cash and investments for both the unrestricted and restricted assets for the primary government and its component units from the Statement of Net Assets:

NOTE B – DEPOSITS AND INVESTMENTS (Continued):

	Primary Government	Component Units	Fiduciary Funds	Total
Unrestricted:				
Cash and cash equivalents	\$1,791,865	\$1,577,945	\$942,093	\$4,311,903
Investments	1,167,347	-	-	1,167,347
Restricted:				
Cash and cash equivalents	-	-	-	-
Investments	2,585,043	-	-	2,585,043
TOTALS	\$5,544,255	\$1,577,945	\$942,093	\$8,064,293

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. State law does not require and the County does not have a deposit policy for custodial credit risk. The carrying amounts of the primary government, component unit and fiduciary fund's deposits with financial institutions were \$4,311,903 and the bank balance was \$4,897,690. The bank balance is categorized as follows:

Amount insured by the FDIC or uncollateralized with securities held by the County in its name	\$1,001,710
Amount collateralized with securities held by the pledging financial institutions trust department in the County's name:	
Collateralized and uninsured	3,895,980
	<u>\$4,897,690</u>

Investments

As of September 30, 2005, the County had the following investments.

	Fair Value	Investment Maturities (In years)			
		Less than 1	1-5	6-10	More than 10
PRIMARY GOVERNMENT:					
Unrestricted Investments:					
Federal Government Obligation Principal	\$792,902	\$792,902	\$-	\$-	\$-
U.S. Government Agencies	374,445	-	-	374,445	-
Restricted Investments:					
U.S. Government Agencies	2,585,043	199,719	1,928,300	457,024	-
TOTAL INVESTMENTS	\$3,752,390	\$992,621	\$1,928,300	\$831,469	\$-

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the County's investments. The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

NOTE B – DEPOSITS AND INVESTMENTS (Continued):*Credit Risk*

Michigan statutes (Act 196, PA 1997) authorize the County to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC and authorized to operate in this state, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days from date of purchase, bankers' acceptances of the United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds. Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

The County has no investment policy that would further limit its investment choices. Ratings are not required for the County's investment in U.S. Government Agencies or equity-type funds. The County's investments are in accordance with statutory authority.

Concentration of Credit Risk

The County places no limit on the amount the County may invest in any one issuer. There were no investments subject to concentration of credit risk disclosure.

NOTE C – CAPITAL ASSETS:

A summary of the capital assets of the Governmental Activities is as follows:

	Balance at September 30, 2004	Additions	Disposals	Balance at September 30, 2005
GOVERNMENTAL ACTIVITIES:				
Construction in progress	\$ 867,055	\$ 656,616	\$ (908,183)	\$ 615,488
Land	<u>1,117,565</u>	<u>-</u>	<u>-</u>	<u>1,117,565</u>
Total Capital Assets, not being depreciated	<u>1,984,620</u>	<u>656,616</u>	<u>(908,183)</u>	<u>1,733,053</u>
Buildings and improvements	1,616,896	916,453	-	2,533,349
Vehicles	473,848	10,750	-	484,598
Furniture and equipment	<u>57,728</u>	<u>20,875</u>	<u>-</u>	<u>78,603</u>
Total Capital Assets, being depreciated	<u>2,148,472</u>	<u>948,078</u>	<u>-</u>	<u>3,096,550</u>
Less Accumulated Depreciation:				
Buildings and improvements	(633,726)	(54,884)	-	(688,610)
Vehicles	(380,241)	(33,736)	-	(413,977)
Furniture and equipment	(14,432)	(9,936)	-	(24,368)
Infrastructure	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Accumulated Depreciation	<u>(1,028,399)</u>	<u>(98,556)</u>	<u>-</u>	<u>(1,126,955)</u>
Governmental Activities Capital Assets, Net	<u>\$ 3,104,693</u>	<u>\$1,506,138</u>	<u>\$(908,183)</u>	<u>\$ 3,702,648</u>

Depreciation expenses for the governmental activities were charged to the following functions and activities of the primary government:

Legislative	\$ -
General and Administrative	43,182
Public Safety	49,087
Health and Welfare	<u>6,287</u>
Total	<u>\$98,556</u>

NOTE C – CAPITAL ASSETS (Continued):

A summary of changes in business-type activities capital assets is as follows:

	Balance at September 30, 2004	Additions	Disposals	Balance at September 30, 2005
BUSINESS-TYPE ACTIVITIES:				
Construction in progress	\$ 523,823	\$1,894,541	\$(1,932,570)	\$ 485,794
Land	<u>42,854</u>	<u>-</u>	<u>-</u>	<u>42,854</u>
Total Capital Assets, not being depreciated	<u>566,677</u>	<u>1,894,541</u>	<u>(1,932,570)</u>	<u>528,648</u>
Buildings and improvements	11,151,901	382,022	-	11,533,923
Vehicles	1,552,137	462,862	-	2,014,999
Furniture and equipment	3,665,207	70,828	(10,000)	3,726,035
Infrastructure	<u>2,819,578</u>	<u>1,397,407</u>	<u>-</u>	<u>4,216,985</u>
Total Capital Assets, being depreciated	<u>19,188,823</u>	<u>2,313,119</u>	<u>(10,000)</u>	<u>21,491,942</u>
Less Accumulated Depreciation:				
Buildings and improvements	(4,639,453)	(506,158)	-	(5,145,611)
Vehicles	(1,381,225)	(62,491)	-	(1,443,716)
Furniture and equipment	(2,287,160)	(257,152)	(10,000)	(2,534,312)
Infrastructure	<u>(504,007)</u>	<u>(92,108)</u>	<u>-</u>	<u>(596,115)</u>
Total Accumulated Depreciation	<u>(8,811,845)</u>	<u>(917,909)</u>	<u>(10,000)</u>	<u>(9,719,754)</u>
Business-Type Activities Capital Assets, Net	<u>\$10,943,655</u>	<u>\$3,289,751</u>	<u>\$(1,932,570)</u>	<u>\$12,300,836</u>

Depreciation expense for the business-type activities was charged to the following functions and activities of the primary government:

Business-Type Activities:	
Medical Care Facility	\$624,878
Airport	140,804
911 Fund	86,295
Solid Waste Transfer	51,765
Airport – Water/Sewer	-
Airport – Testing	1,688
Marina	<u>12,479</u>
Total Depreciation Expense – Business-Type Activities	<u>\$917,909</u>

A summary of component unit's capital assets is as follows:

	Western UP District Health	Road Commission	Total Component Units
COMPONENT UNITS:			
Land	\$ 90,000	\$ 88,137	\$ 178,137
Total Capital Assets, not being depreciated	<u>90,000</u>	<u>88,137</u>	<u>178,137</u>
Land improvements	17,595	-	17,595
Depletable assets	-	102,093	102,093
Buildings and improvements	1,443,780	1,355,217	2,798,997
Furniture and equipment	160,062	8,465,496	8,625,558
Infrastructure	<u>-</u>	<u>5,831,018</u>	<u>5,831,018</u>
Total Capital Assets, being depreciated	<u>1,621,437</u>	<u>15,753,824</u>	<u>17,375,261</u>
Less Accumulated Depreciation:			
Land improvements	(12,028)	-	(12,028)
Depletable assets	-	(38,759)	(38,759)
Buildings and improvements	(707,249)	(679,745)	(1,386,994)
Furniture and equipment	(123,956)	(7,102,620)	(7,226,576)
Infrastructure	<u>-</u>	<u>-</u>	<u>-</u>
Total Accumulated Depreciation	<u>(843,233)</u>	<u>(7,821,124)</u>	<u>(8,664,357)</u>
Component Units Capital Assets, net	<u>\$ 868,204</u>	<u>\$ 8,020,837</u>	<u>\$ 8,889,041</u>

NOTE C – CAPITAL ASSETS (Continued):

Depreciation expense for the component units was charged to the following functions:

Component Units:	
Western U.P. District Health	\$ 73,366
Road Commission	<u>686,974</u>
Total Depreciation Expense – Component Units	<u>\$760,340</u>

NOTE D – LONG-TERM DEBT:

The Torch Lake Sewage Disposal System Bond consists of a revenue bond incurred for sewage disposal facilities on behalf of townships located within the County of Houghton. The County serves as general obligor for payment of principal and interest on the bonds. Annual transfers equal to principal and interest payments on the debt are made to the County Public Works Department based upon contractual agreements by those local units deriving revenues and benefits from the facilities.

SCHEDULE OF TORCH LAKE SEWAGE DISPOSAL SYSTEM BONDS**September 30, 2005**

	November 1	May 1		
	Interest	Interest	Principal	Total
2005-2006	\$ 4,500	\$4,500	\$87,500	\$ 96,500
2006-2007	<u>2,125</u>	<u>2,125</u>	<u>87,500</u>	<u>91,750</u>
TOTALS	<u>\$6,625</u>	<u>\$6,625</u>	<u>\$175,000</u>	<u>\$188,250</u>

Sewage Disposal System General Obligation Bonds originally issued for \$1,765,000 and dated November 1, 1977, mature annually as scheduled above and bears interest at 5% per annum.

Bonds maturing in the years 1990 to 2007, inclusive, shall be subject to redemption prior to maturity, at the option of the County, in inverse numerical order, on any interest payment to date on or after May 1, 1986, at par and accrued interest to the date fixed for redemption.

SCHEDULE OF POLICE CAR INSTALLMENT PURCHASE AGREEMENT**September 30, 2005**

	December 2	June 2		
	Interest	Principal	Interest	Principal
2005-2006	<u>\$202</u>	<u>\$6,875</u>	<u>\$ -</u>	<u>\$ -</u>
TOTALS	<u>\$202</u>	<u>\$6,875</u>	<u>\$ -</u>	<u>\$ -</u>
				<u>\$7,077</u>

The Ford Motor Credit Company has assigned the installment purchase agreement.

SCHEDULE OF COURTHOUSE IMPROVEMENT BOND**September 30, 2005**

	December 1	June 1		
	Interest	Interest	Principal	Total
2005-2006	\$21,213	\$21,213	\$15,000	\$57,426
2006-2007	20,988	20,988	20,000	61,976
2007-2008	20,638	20,638	25,000	66,276
2008-2009	20,200	20,200	30,000	70,400
2009-2010	19,600	19,600	35,000	74,200
2010-2011	18,900	18,900	40,000	77,800
2011-2012	18,100	18,100	45,000	81,200
2012-2013	17,200	17,200	50,000	84,400
2013-2014	16,200	16,200	55,000	87,400
2014-2015	14,963	14,963	60,000	89,926
2015-2016	13,613	13,613	65,000	92,226
2016-2017	12,150	12,150	70,000	94,300
2017-2018	10,575	10,575	75,000	96,150

NOTE D – LONG-TERM DEBT (Continued):

	December 1	June 1		
	<u>Interest</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2018-2019	\$8,888	\$8,888	\$80,000	\$97,776
2019-2020	7,088	7,088	80,000	94,176
2020-2021	5,288	5,288	80,000	90,576
2021-2022	3,488	3,488	80,000	86,976
2022-2023	1,688	1,688	75,000	78,376
Totals	<u>\$250,780</u>	<u>\$250,780</u>	<u>\$980,000</u>	<u>\$1,481,560</u>

The Courthouse Improvement Bond consists of a general obligation bond through Superior National Bank and Trust. This bond was incurred for remodeling of the Courthouse Facility and new adjacent storage facilities. The bond will be paid for from the general fund.

SCHEDULE OF BROWNFIELD REDEVELOPMENT**September 30, 2005**

	<u>October 3</u>		
	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2005-2006	\$7,644	\$39,236	\$46,880
2006-2007	6,762	40,118	46,880
2007-2008	5,859	41,021	46,880
2008-2009	4,936	41,944	46,880
2009-2010	3,992	42,888	46,880
2010-2011	3,027	43,853	46,880
2011-2012	2,041	44,839	46,880
2012-2013	1,031	45,849	46,880
TOTALS	<u>\$35,292</u>	<u>\$339,748</u>	<u>\$410,332</u>

The City of Houghton borrowed on behalf of Houghton County \$425,000 with State of Michigan Department of Environmental Quality Environmental Response Division a Brownfield Redevelopment Authority Tax Incremental Revenue Loan for the redevelopment of the former Houghton High School lot. The payments will be paid from the general fund.

**SCHEDULE OF MICHIGAN ECONOMIC DEVELOPMENT
COMMUNITY DEVELOPMENT BLOCK GRANT REPAYMENT****September 30, 2005**

	<u>Nov 1</u>	<u>Feb 1</u>	<u>May 1</u>	<u>Aug 1</u>	
	<u>Principal</u>	<u>Principal</u>	<u>Principal</u>	<u>Principal</u>	<u>Total</u>
2005-2006	\$1,074	\$1,074	\$1,074	\$1,074	\$4,296
2006-2007	1,074	1,074	1,074	1,074	4,296
2007-2008	1,074	1,074	1,074	1,074	4,296
2008-2009	1,074	1,074	1,074	1,074	4,296
2009-2010	1,074	1,074	1,074	1,074	4,296
2010-2011	1,074	1,074	1,074	1,074	4,296
2011-2012	1,074	1,074	1,074	1,074	4,296
2012-2013	1,074	1,074	1,074	1,074	4,296
2013-2014	1,074	1,074	1,074	1,074	4,296
2014-2015	1,074	1,074	1,074	1,074	4,296
2015-2016	1,074	1,074	1,074	1,074	4,296
2016-2017	1,074	1,074	1,074	1,074	4,296
2017-2018	1,074	1,074	1,074	1,074	4,296
2018-2019	1,074	1,074	-	-	2,148
TOTALS	<u>\$15,036</u>	<u>\$15,036</u>	<u>\$13,962</u>	<u>\$13,962</u>	<u>\$57,996</u>

The Michigan Economic Development Community Development Block Grant Repayment is for the County not meeting the long term requirements of job creation of the CDBG Airpark Improvement Grant. Therefore, the County is required to pay back part of this grant. This payment will be made from the Airpark Improvement Fund.

NOTE D – LONG-TERM DEBT (Continued)

SCHEDULE OF JAIL VENTILATION LOAN
September 30, 2005

	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2005-2006	\$4,641	\$13,029	\$17,670
2006-2007	4,192	13,478	17,670
2007-2008	3,726	13,944	17,670
2008-2009	3,245	14,425	17,670
2009-2010	2,747	14,923	17,670
2010-2011	2,232	15,438	17,670
2011-2012	1,699	15,971	17,670
2012-2013	1,148	16,522	17,670
2013-2014	945	16,725	17,670
TOTALS	<u>\$24,575</u>	<u>\$134,455</u>	<u>\$159,030</u>

The County borrowed \$146,981 from Superior National Bank to update the jail ventilation system. This payment will be made from the general fund.

SCHEDULE OF ARENA PROJECT BOND
September 30, 2005

	<u>April 1</u>	<u>October 1</u>		
	<u>Interest</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2005-2006	\$14,571	\$14,571	\$10,000	\$39,142
2006-2007	14,371	14,371	10,000	38,742
2007-2008	14,171	14,171	10,000	38,342
2008-2009	13,971	13,971	10,000	37,942
2009-2010	13,771	13,771	10,000	37,542
2010-2011	13,571	13,571	10,000	37,142
2011-2012	13,371	13,371	10,000	36,742
2012-2013	13,171	13,171	15,000	41,342
2013-2014	12,871	12,871	15,000	40,742
2014-2015	12,571	12,571	15,000	40,142
2015-2016	12,271	12,271	15,000	39,542
2016-2017	11,971	11,971	20,000	43,942
2017-2018	11,571	11,571	20,000	43,142
2018-2019	11,166	11,166	20,000	42,332
2019-2020	10,756	10,756	20,000	41,512
2020-2021	10,336	10,336	20,000	40,672
2021-2022	9,906	9,906	25,000	44,812
2022-2023	9,356	9,356	25,000	43,712
2023-2024	8,793	8,793	25,000	42,586
2024-2025	8,218	8,218	25,000	41,436
2025-2026	7,637	7,637	30,000	45,274
2026-2027	6,932	6,932	30,000	43,864
2027-2028	6,220	6,220	30,000	42,440
2028-2029	5,500	5,500	220,000	231,000
Totals	<u>\$267,043</u>	<u>\$267,043</u>	<u>\$640,000</u>	<u>\$1,174,086</u>

The Arena Project Bond consists of a general obligation bond through Superior National Bank and Trust. This bond was incurred for remodeling of the Houghton County Ice Arena. The bond will be paid for from the general fund.

NOTE D – LONG-TERM DEBT (Continued)

**SCHEDULE OF AIRCRAFT REFUELER
September 30, 2005**

	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2005-2006	\$1,457	\$13,555	\$15,012
2006-2007	621	14,391	15,012
2007-2008	18	2,484	2,502
TOTALS	<u>\$2,096</u>	<u>\$30,430</u>	<u>\$32,526</u>

Aircraft REFUELER Note originally issued for \$85,637 and dated November 29, 2000, mature Monthly with principal and interest as scheduled above and bears interest at 6% per annum. These payments will be made from the Airport Fund.

**SCHEDULE OF RANGE TELECOMMUNICATIONS FOR THE 911 FUND
September 30, 2005**

	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2005-2006	\$3,662	\$80,230	\$83,892
2006-2007	1,428	82,464	83,892
2007-2008	-	7,081	7,081
TOTALS	<u>\$5,090</u>	<u>\$169,775</u>	<u>\$174,865</u>

Range Telecommunications Note originally issued for \$222,000 and dated January 1, 2005, mature Monthly with principal and interest as scheduled above and bears interest at 2.75% per annum. These payments will be made from the 911 Fund.

**SCHEDULE OF MOTOROLA TELECOMMUNICATIONS FOR THE 911 FUND
September 30, 2005**

	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2005-2006	\$5,032	\$110,225	\$115,257
2006-2007	1,962	113,295	115,257
2007-2008	-	9,730	9,730
TOTALS	<u>\$6,994</u>	<u>\$233,250</u>	<u>\$240,244</u>

Motorola Telecommunications Note originally issued for \$222,000 and dated January 1, 2005, mature Monthly with principal and interest as scheduled above and bears interest at 2.75% per annum. These payments will be made from the 911 Fund.

**SCHEDULE OF TRANSFER STATION TRUCK
September 30, 2005**

	<u>July 1</u>			
	<u>January 1</u>			
	<u>Interest</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2005-2006	\$653	\$653	\$17,398	\$18,704
2006-2007	326	326	17,398	18,050
TOTALS	<u>\$979</u>	<u>\$979</u>	<u>\$34,796</u>	<u>\$36,754</u>

Transfer Station Truck Note originally issued for \$86,991 and dated June 3, 2004, mature annually as scheduled above and bears interest at 3.75% per annum. These payments will be made from the Transfer Station Fund.

NOTE D – LONG-TERM DEBT (Continued):

SCHEDULE OF WESTERN U.P. DISTRICT HEALTH DEPARTMENT LOANS
September 30, 2005

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005-2006	\$136,837	\$27,447	\$164,284
2006-2007	18,372	9,670	28,042
2007-2008	19,409	8,633	28,042
2008-2009	20,504	7,538	28,042
2009-2010	21,660	6,382	28,042
2010-2011	22,882	5,160	28,042
2011-2012	24,173	3,869	28,042
2012-2013	25,536	2,506	28,042
2013-2014	26,977	1,065	28,042
2014-2015	4,641	33	4,674
TOTALS	<u>\$320,991</u>	<u>\$72,303</u>	<u>\$393,294</u>

On September 29, 2000, the Health Department entered into a 15 year land contract with Baraga Houghton Keweenaw Child Development Board and the Copper Country Intermediate School District for the shared use of a building in Lanes. The agreement, effective January 1, 2000, requires monthly payments of \$2,377, which includes interest at a rate of 5.5%.

On December 26, 1991, the Health Department entered into an installment purchase agreement payable over 178 months for the acquisition of the Hancock facility. The agreement, effective December 1, 1991, requires monthly payments of \$11,354, which includes interest at a rate of 9%.

Changes in long-term debt principal during the year ended September 30, 2005 are summarized as follows:

	<u>September 30, 2004</u>	<u>Additions</u>	<u>Subtractions</u>	<u>September 30, 2005</u>
Governmental Activities:				
Sewage Disposal System General Obligation Bonds issued for \$1,765,000 dated November 1, 1977. These bonds bear interest of 5% per annum. Bonds maturing in the years 1990-2007 shall be subject to redemption prior to maturity, at the option of the County, in inverse numerical order, on any interest payment to the date on or after May 1, 1986, at par and accrued interest to the date fixed for redemption.	\$260,000	\$-	\$85,000	\$175,000
Installment Purchase Agreement for 2 police cars in the amount of \$39,536 at 2.95% interest. With 6 semi-annual payments of \$7,077, due in June and December.	20,038	-	13,163	6,875
Courthouse Improvement Bond issued on June 1, 2005 for \$995,000. These bonds bear interest of 3% from June 1, 2005 to June 1, 2006; 3.5% from June 2, 2006 to June 1, 2008; 4% from June 2, 2008 to June 1, 2013 and 4.5% from June 2, 2013 to June 1, 2023. Payments are due semi-annually on June 1, (principal and interest) and December 1, (interest) of each year.	990,000	-	10,000	980,000

NOTE D – LONG-TERM DEBT (Continued):

	September 30, 2004	Additions	Subtractions	September 30, 2005
Brownfield Redevelopment Authority Tax Incremental Revenue Loan issued for \$425,000 dated October 2, 2004. These loans bear interest of 2.25% per annum. 10 Payments of \$46,880 are due annually on October 3, (principal and interest) of each year	\$378,120	\$-	\$38,372	\$339,748
Michigan Economic Development Community Development Block Grant Repayment issued for \$61,200 dated September 30, 2005. This repayment bears interest of 0% per annum. 57 payments of \$1,074 are due quarterly November 1, February 1, May 1, and August 1 (principal only) of each year	61,200	-	3,221	57,979
Note Payment for the jail ventilation projects in the amount of \$146,981 at 3.5% interest, due to Superior National Bank. With 10 annual payments of \$17,670, due on May 25 th of each year.	146,981	-	12,526	134,455
State of Michigan – State Revenue Sharing Payment - The State of Michigan advances the County \$139,687 in State Revenue Sharing that is due March 31, 2005 from the new State Revenue Sharing Fund, which is created on Dec 1, 2005.	139,687	-	139,687	-
Arena Project Bond issued on November 1, 2004 for \$650,000. These bonds bear interest of 4% from November 1, 2004 to October 1, 2017; 4.05% from October 1, 2017 to October 1, 2018; 4.1% from October 1, 2018 to October 1, 2019; 4.2% from October 1, 2019 to October 1, 2020; 4.3% from October 1, 2020 to October 1, 2021; 4.4% from October 1, 2021 to October 1, 2022; 4.5% from October 1, 2022 to October 1, 2023; 4.6% from October 1, 2023 to October 1, 2024; 4.65% from October 1, 2024 to October 1, 2025; 4.7% from October 1, 2025 to October 1, 2026; 4.75% from October 1, 2026 to October 1, 2027; 4.8% from October 1, 2027 to October 1, 2028; 5% from October 1, 2028 to October 1, 2029; Payments are due semi-annually April 1 (Interest) and October 1 (principal and interest), of each year.	-	650,000	10,000	640,000
Total Governmental Activities	<u>1,996,026</u>	<u>650,000</u>	<u>311,969</u>	<u>2,334,057</u>
Business-Type Activities:				
Airport fund loan for REFUELER in the amount of \$85,637 for 84 months at 6% interest.	43,198	-	12,768	30,430
Note Payable for Radios purchased from Range Telecommunications for the 911 fund; in the amount of \$222,000 at 2.75% interest, due to Superior National Bank. With 33 monthly payments of \$6,991.01, due on the 28 th of each month.	-	222,000	52,225	169,775

NOTE D – LONG-TERM DEBT (Continued):

	September 30, 2004	Additions	Subtractions	September 30, 2005
Note Payable for radios purchased from Motorola, Inc. for the 911 fund; in the amount of \$305,000 at 2.75% interest, due to Superior National Bank. With 33 monthly payments of \$9,604.76, due on the 28 th of each month.	\$-	\$305,000	\$71,750	\$233,250
Solid Waste Transfer Fund Loan for 2005 Semi-Truck in the amount of \$86,991 with interest at 1.88% and semi-annual payments on January 1 for interest and July 1 for interest and principal \$17,398).	52,195	-	17,399	34,796
Total Business-Type Activities	95,393	527,000	154,142	468,251
TOTAL PRIMARY GOVERNMENT LONG-TERM DEBT	2,091,419	1,177,000	466,111	2,802,308
Discrete Component Units:				
Installment Purchase Agreements	492,423	-	171,432	320,991
TOTAL LONG-TERM DEBT	\$2,583,842	\$1,177,000	\$637,543	\$3,123,299

Annual maturities on the Long-Term Debt are as follows:

	Primary Government	Business-Type Activities	Discrete Component Unit
2005-2006	\$172,570	\$221,408	\$136,837
2006-2007	175,391	227,548	18,372
2007-2008	94,260	19,295	19,409
2008-2009	100,664	-	20,504
2009-2010	107,106	-	21,660
2010-2011	113,586	-	22,882
2011-2012	120,105	-	24,173
2012-2013	131,666	-	25,536
2013-2014	91,020	-	26,977
2014-2015	79,295	-	4,641
2015-2016	84,295	-	-
2016-2017	94,295	-	-
2017-2018	99,295	-	-
2018-2019	102,144	-	-
2019-2020	100,000	-	-
2020-2021	100,000	-	-
2021-2022	105,000	-	-
2022-2023	100,000	-	-
2023-2024	25,000	-	-
2024-2025	25,000	-	-
2025-2026	30,000	-	-
2026-2027	30,000	-	-
2027-2028	30,000	-	-
2028-2029	220,000	-	-
TOTAL	\$2,334,057	\$468,251	\$320,991

NOTE E – VESTED EMPLOYEE BENEFITS:

The County accrues the liability for earned sick leave based on the vesting method. The liability is accrued as the benefits are earned if it is probable that the County will compensate the employees conditioned upon retirement, death or termination of employment. Employees earn annual vacation, sick, and combined leave at a rate of a certain number of days per year based on the number of years of service up to a maximum number of accumulated days. Annual vacation, sick, and combined leave days are based on various Labor Union Contract terms and administrative policies of the primary government.

NOTE E – VESTED EMPLOYEE BENEFITS (Continued):

	Accrued Sick and Vacation
Primary Government:	
Current portion	\$316,187
Long-term portion	<u>655,737</u>
Total	<u>\$971,924</u>
Component Units:	
Current portion	\$208,415
Long-term portion	<u>473,209</u>
Total	<u>\$681,624</u>

NOTE F – INTERFUND BALANCES:

A summary of Interfund receivable and payables related to cash flow issues and un-reimbursed expenses are as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Fund</u>	<u>Payable</u>
PRIMARY GOVERNMENT:			
General Fund	\$141,763	Non-major Debt Services Funds	\$1,500
		Non-major Enterprise Funds	136,791
		Fiduciary Funds	3,472
Non-major Special Revenue Funds	<u>40,465</u>	General Fund	<u>40,465</u>
TOTAL	<u>\$ 182,228</u>	TOTAL	<u>\$ 182,228</u>

NOTE G – INTERFUND TRANSFERS IN AND OUT:

A summary of Interfund transfers in and out related to required appropriations of fund support are as follows:

	Transfers In		Transfers Out
General Fund	<u>\$ 1,032,252</u>	Non-major Internal Service Funds	<u>\$ 325,000</u>
		Non-major Special Revenue Funds	637,252
		Non-major Enterprise Funds	<u>70,000</u>
Subtotal	<u>1,032,252</u>	Subtotal	<u>1,032,252</u>
Airport	200,000	General	744,360
Non-major Special Revenue Funds	<u>544,360</u>		
Subtotal	<u>744,360</u>	Subtotal	<u>744,360</u>
Non-major Special Revenue Funds	<u>238,390</u>	Airport	<u>238,390</u>
TOTAL REPORTING ENTITY	<u>\$2,015,002</u>	TOTAL REPORTING ENTITY	<u>\$2,015,002</u>

NOTE H – RESERVED AND DESIGNATED FUND EQUITY:

The Debt Service Funds have reserved fund balances totaling \$46,276 which represents the balance available to pay down debt.

NOTE I – PROPERTY TAXES:

The Local Governmental Unit property tax is levied on each December 1st and July 1st on the taxable valuation of property (as defined by State statutes) located in the Local Governmental Unit as of the preceding December 31st and July 1st.

NOTE I – PROPERTY TAXES (Continued):

Although the Local Governmental Unit 2004 ad valorem tax is levied and collectible on December 1, 2004, and 2005 ad valorem tax is levied and collectible on July 1, 2005, it is the Local Governmental Unit's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means levied and the tax collection period is within the current fiscal year.

The December 1, 2004 taxable valuation of the Local Governmental Unit totaled \$533,130,817, on which ad valorem taxes levied consisted of 4.0531 mills for the Local Governmental Unit operation purposes, 2.0266 mills for the Revenue Sharing Fund, 1.3690 mills for County Road Commission operating, and 2.6208 mills for Medical Care Facility Operations. These amounts are recognized in the respective General, Special Revenue Fund, Component Unit and Enterprise Fund financial statements as revenue.

The July 1, 2005 taxable valuation of the Local Governmental Unit totaled \$562,752,095, on which ad valorem taxes levied consisted of 2.1000 mills for the Revenue Sharing Fund, this amount is recognized in the Special Revenue Fund financial statements as revenue.

NOTE J – CONTINGENT LIABILITIES:

The County has received significant financial assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and a condition specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the County. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the county at September 30, 2005.

Risk Management - The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County has obtained commercial insurance to handle its risk of loss.

Cost Settlement - Medical care facility services rendered to various insurance program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a client classification system that is based on clinical, diagnostic, and other factors. Certain health services and defined capital costs are paid based on a cost reimbursement methodology. The facility reports such activity through the submission of its annual cost reports which are subject to audit by the fiscal intermediary. The facility's classification of clients under the program and the appropriateness of their admission are subject to an independent review by a peer review organization.

NOTE K – JOINT VENTURE COMMUNITY MENTAL HEALTH SERVICES:

Pursuant to an amendment to the Mental Health Code, Public Act 290 of 1995 the Counties of Houghton, Baraga, Keweenaw and Ontonagon created a Community Mental Health Authority with powers and duties as defined in Section 205, MCL 330.1205, known as Copper Country Community Mental Health Services Board. Under such provisions the Copper Country Community Mental Health Services Board became a separate legal entity from the respective counties and has its own reporting unit. The Board consists of members of the participating counties as appointed by the respective county. The Board has full power to comply and carry out the financial and clinical provisions of the Mental Health Code. Summary financial information as of and for the fiscal year ended September 30, 2005 for the Board is as follows:

Assets	\$9,897,140
Liabilities	2,859,132
Fund Equity	7,038,008
Total Revenues	14,344,406
Total Expenditures	14,851,554
Net Increase (Decrease) in Fund Equity	507,418

NOTE K – JOINT VENTURE COMMUNITY MENTAL HEALTH SERVICES (Continued):

The separately issued financial statements can be obtained from the administrative office of the Board at:

Copper Country Community Mental Health
901 West Memorial Drive
Houghton, MI 49931

NOTE L – OTHER POST EMPLOYMENT BENEFITS:

The County of Houghton offers group benefit health insurance coverage under various collective bargaining agreements covering substantially all employees and selected former employees of the County. This benefit is accounted for on the "pay-as-you-go" method, whereby the County is reporting the amounts paid as expenditures in the year the amount is paid for the benefit provided. The amount paid for retired employees for the period ended September 30, 2005 was \$9,817.

NOTE M – PENSION PLAN:

DEFINED BENEFIT PENSION PLAN – COUNTY

Plan Description - The County participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all employees of the County. The System provides retirement, disability and death benefits to plan members and their beneficiaries. The Michigan Municipal

Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to Gabriel, Roeder, Smith & Company at One Towne Square, Suite 800, Southfield, MI 48076.

Funding Policy - The obligation to contribute to and maintain the system for these employees was established by negotiation with the County's competitive bargaining unit, and requires a contribution from the employees of 0 - 3.6% of gross wages.

Annual Pension Cost - For year ended September 30, 2005, the County's annual pension cost of \$570,192 for the plan was equal to the County's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2003, using the entry actual age cost method. Significant actuarial assumptions used include (a) an 8.0 investment rate of return, and (b) projected salary increases of 4.5 percent per year. Both (a) and (b) include an inflation component of 4.5%. The actuarial value of assets was determined using techniques that smooth the effects of short term volatility over a four year period. The unfunded actuarial liability is being amortized as a level percentage of payrolls on a closed basis. The remaining amortization period is 30 years.

	Three Year Trend Information		
	Fiscal Year Ended December 31		
	2002	2003	2004
Annual Pension Cost	\$429,641	\$501,276	\$536,604
Percentage of APC Contributed	100%	100%	100%
Net Pension Obligation	0	0	0
Actuarial Value of Assets	\$9,023,307	\$9,841,471	\$10,605,773
Actuarial Accrued Liability (Entry Age)	\$13,511,103	\$14,729,577	\$15,480,216
Unfunded AAL	\$4,487,796	\$4,888,106	\$4,874,443
Funded Ratio	67%	67%	69%
Covered Payroll	\$3,543,171	\$3,622,239	\$3,401,483
UAAL as a Percentage of Covered Payroll	127%	135%	143%

DEFINED BENEFIT PENSION PLAN – MEDICAL CARE FACILITY

The Facility has in effect a defined benefit non-contributory retirement plan with the Travelers Insurance Company covering substantially all full-time employees. The total retirement expense for the year ended September 30, 2005 and 2004 was \$692,762 and \$572,515, respectively, and includes amortization of past service costs which are being amortized over a ten year period. The Facility makes annual contributions to the plan as determined by

NOTE M – PENSION PLAN (Continued):

consulting actuaries. The payroll for participating employees for the year ended September 30, 2005 was \$6,399,200, while total payroll expense was \$7,213,911.

Pension Disclosure Information

The Pension Benefit Obligation (PBO) is the actuarial present value of credit projected benefits determined in accordance with the projected unit credit cost method prorates by service. It is a standardized disclosure measure of the present value of pension benefits adjusted for the effects of projected salary increases and any step-rate benefits estimated to be payable in the future as a result of employee service to date. This measure is independent of the actuarial funding method used to determine contributions.

The last actuarial valuation date available to determine PBO is January 1, 2005. Actuarial assumptions used to compute the PBO are as follows:

- A. Actuarial Cost Methods - Retirement benefits, vesting, and pre-retirement survivor benefits calculated using the frozen initial liability cost method, with the initial employer liability equal to the January 1, 1974 unfunded employer past service liability based on the entry age normal method. If, in any year, the normal operation of this funding method would produce an unfunded frozen initial liability which is negative, it shall be deemed to be zero.
- B. Valuation Assumptions:
1. Interest - 7.5%
 2. Expenses and contingencies - 5.0%
 3. Retirement age - The greater of normal retirement age specified in the plan or attained age.
 4. Normal form of retirement annuity - single life annuity.
 5. Mortality - 1983 Group Annuity Table (male and female tables).
 6. Turnover - Allowance is made for turnover among eligible employees through the use of Travelers' Turnover Schedule C.
 7. Projected salary increases - increases of 5.0% per year are assumed.
 8. Pre-retirement survivor benefit - All participants are assumed to be married to an eligible spouse. Male spouses are assumed to be three years older than their female spouses.
 9. Cost of Living - IRC Section 415 limits on salary and benefits are assumed to increase 3.0% per annum.
- C. Asset Value:
- Experience Rating Accumulation - The asset value equals the balance as of the valuation date in the fixed account which is available to provide benefit payments and expenses. Contributions received after the valuation date but within the allowable grace period that were intended for plan years ending prior to the valuation date are included in this asset value.

Annual Pension Cost and Net Pension Obligation as of January 1, 2005:	
Annual Required Contribution, beginning January 1, 2004	\$510,576
Interest on net pension obligation as of January 1, 2004	-
Adjustment to annual required contribution beginning January 1, 2004	-
ANNUAL PENSION COST, BEGINNING JANUARY 1, 2004	510,576
Contributions made, beginning January 1, 2004	510,576
Increase (decrease) in net pension obligation as of January 1, 2004	-
Net pension obligation as of January 1, 2004	*
NET PENSION OBLIGATION AS OF JANUARY 1, 2005	\$ -

* Based on the assumption that "actuarially required contributions" were made each year starting with the year beginning January 1, 1987 and ending with the year beginning January 1, 1996.

NOTE M – PENSION PLAN (Continued):

Analysis of Funding Progress Three-year Trend Information

Actuarial Valuation Date	Actuarial Accrued Liability (AAL)-Entry Age (a)	Actuarial Value of Assets (b)	Unfunded AAL (UAAL) (a) – (b)	Funded Ratio (b/a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((a-b)/c)
1/1/3	\$11,923,086	\$11,293,462	\$629,624	96.84%	\$6,171,387	10.20%
1/1/4	12,669,590	12,269,131	400,459	86.84	6,598,757	6.07
1/1/5	12,991,807	13,652,549	660,742	95.16	6,399,200	10.33

Year Beginning <u>January 1</u>	Annual Pension <u>Cost</u>	Percentage <u>Contributed</u>	Net Pension Obligation <u>At Year End</u>
2002	\$590,479	100%	\$ -
2003	758,330	100%	-
2004	510,576	100%	-

DEFINED BENEFIT PENSION PLAN – WESTERN DISTRICT UPPER PENINSULA HEALTH DEPARTMENT

Plan Description - The Health Department participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all employees of the Health Department. The System provides retirement, disability and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS.

Funding Policy - The obligation to contribute to and maintain the system for these employees was established by negotiation with the Health Department's competitive bargaining units, and requires a contribution from the employees of 0% of gross wages.

Annual Pension Cost - For year ended September 31, 2005, the Health Department's annual pension cost of \$300,396 for the plan was equal to the Health Department's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2003, using the entry actual age cost method. Significant actuarial assumptions used include (a) a 8.0 investment rate of return, and (b) projected salary increases of 4.5 percent per year and (c) a percentage based on an age-related scale to reflect merit, longevity and promotional salary increases. Both (a) and (b) include an inflation component of 4.5%. The actuarial value of assets was determined using techniques that smooth the effects of short term volatility over a four year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 30 years.

Three Year Trend Information Fiscal Year Ended December 31

	<u>2002</u>	<u>2003</u>	<u>2004</u>
Annual Pension Cost	\$234,061	\$218,160	\$244,908
Percentage of APC Contributed	100%	100%	100%
Net Pension Obligation	0	0	0
Actuarial Value of Assets	5,587,356	6,014,110	6,365,075
Actuarial Accrued Liability (Entry Age)	6,092,779	6,930,189	6,970,652
Unfunded AAL	505,423	916,079	605,577
Funded Ratio	92%	87%	91%
Covered Payroll	2,975,938	3,370,346	3,054,386
UAAL as a Percentage of Covered Payroll	17%	27%	20%

NOTE M – PENSION PLAN (Continued):**DEFINED BENEFIT PENSION PLAN – HOUGHTON COUNTY ROAD COMMISSION**

Plan Description – The Houghton County Road Commission participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all nonunion employees of the Road Commission. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at: Gabriel, Roeder, Smith & Company, One Town Square, Suite 800, Southfield, Michigan, 48076.

Funding Policy – The obligation to contribute to and maintain the system for these employees was established by negotiation with the Houghton County Road Commission's competitive bargaining units and requires a contribution from the employees of 16.62% of gross wages for the County Road Commission.

Annual Pension Costs – For year ended September 31, 2005, Houghton County Road Commission's annual pension cost of \$66,972 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2002, using the entry age normal funding method. Significant actuarial assumptions used include: (1) an 8% investment rate of return; (2) projected salary increases of 4.5% per year; and (3) 4.5% per year cost of living adjustments. Both determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

	<u>2001</u>	<u>2002</u>	<u>2003</u>
Annual Pension Cost (APC)	\$76,045	\$58,656	\$66,972
Percentage of APC Contributed	100%	100%	100%
Net Pension Obligation	-	-	-
Actuarial Value of Assets	\$2,296,396	\$2,317,530	\$2,439,095
Actuarial Accrued Liability (AAL)	\$2,577,932	\$2,702,082	\$2,873,598
Unfunded AAL (UAAL)	\$281,536	\$384,552	\$434,503
Funded Ratio	89%	86%	85%
Covered Payroll	\$376,912	\$402,940	\$395,083
UAAL as a Percentage of Covered Payroll	75%	95%	110%

NOTE N – DEFICIT CASH AND INVESTMENT BALANCES:

At September 30, 2005 the following funds had a material cash and investment deficit:

<u>Fund</u>	<u>Deficit Cash/ Investment Balance</u>
Governmental Activities:	
General Fund	\$391,659
Special Revenue:	
Tri-County Community Corrections	4,732
SHSGP Path II Training	501
Child Care	287
WMD Grant	13,152
Business-Type Activities:	
Airport	1,000,759
Marina	8,465
Internal Service:	
2004 Delinquent Tax Revolving	583,008

NOTE O – FUND EQUITY DEFICIT BALANCES:

At September 30, 2005 the following funds had an unrestricted fund equity deficit:

<u>Fund</u>	<u>Deficit Fund Equity</u>
Business-Type Activities:	
Airport	
Unrestricted	\$984,069
911 Fund	
Unrestricted	121,938
Solid Waste Transfer	
Unrestricted	109,454
Marina	
Unrestricted	2,078

NOTE P – BUDGET VIOLATIONS:

Public Act 621 of 1978, Section 18(1), as amended, provides that a County shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the County's actual expenditures and budgeted expenditures have been shown on an activity and/or program level.

The following funds/line items had material excess expenditures over appropriations at September 30, 2005:

<u>Fund/Line Item</u>	<u>Final Amended Budget</u>	<u>Actual Expenditures</u>	<u>Variance</u>
General Fund:			
Circuit Court	\$250,902	\$253,361	\$2,459
FOC/Medical Enforcement	17,909	23,707	5,798
Monumentation/Remonumentation	96,795	134,838	38,043
Mailing	34,265	35,130	865
County Properties	31,415	31,565	150
Treasurer	144,329	146,711	2,382
Sheriff – Secondary Roads	119,188	128,678	9,490
Public Works	33,672	33,742	70
Capital Outlay	137,908	159,318	21,410
Special Revenue Funds:			
Prescription Drugs – Transfer out	-	1,000	1,000
Tri-County Work Camp	305,212	310,253	5,041
DTRF ADMIN	-	18	18
Hazardous Mitigation	38,540	48,377	9,837
Law Library	15,204	17,928	2,724
Justice Training	7,832	8,552	720
Revenue Sharing – State Payback	-	139,667	139,667
Child Care	235,346	265,505	30,159
MSHDA R.R.	74,507	74,542	35
WMD Grant	13,430	15,297	1,867

Supplementary Information

County of Houghton, Michigan
MAJOR GOVERNMENTAL FUNDS
GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended September 30, 2005

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
Taxes:			
Current levy	\$ 2,988,113	\$ 3,113,203	\$ 125,090
Commercial forest taxes	47,000	54,311	7,311
Swamp taxes	59,406	59,539	133
Trailer taxes	-	-	-
Single business revenue sharing taxes	-	-	-
Federal payment in lieu of taxes	140,205	143,495	3,290
Total Taxes	<u>3,234,724</u>	<u>3,370,548</u>	<u>135,824</u>
Licenses and Permits:			
Marriage licenses	1,250	1,515	265
Dog licenses	2,800	2,820	20
Building permits	285,000	293,356	8,356
Pistol permits	3,000	3,556	556
Total Licenses and Permits	<u>292,050</u>	<u>301,247</u>	<u>9,197</u>
Federal Sources:			
Civil defense	20,000	19,296	(704)
Total Federal Sources	<u>20,000</u>	<u>19,296</u>	<u>(704)</u>
State Sources:			
Judges standardization	107,752	108,373	621
State income taxes	-	-	-
State liquor taxes	141,711	141,711	-
Case flow assistance	6,475	6,475	-
Snowmobile safety program	11,389	11,389	-
Safe and sober program	14,870	15,000	130
Probate judge salary	101,401	101,763	362
Marine safety	8,719	8,719	-
Friend of Court - Cooperative reimbursement	300,010	285,430	(14,580)
Friend of Court - Medical enforcement	13,217	13,217	-
Prosecutor - Cooperative reimbursement	29,100	32,040	2,940
Township liquor fees	3,948	3,948	-
Friend of Court incentive	49,221	49,222	1
Secondary road patrol	79,070	79,070	-
Victim's rights reimbursement	10,650	10,650	-
Juvenile justice program	27,316	27,317	1
Court reimbursement	162,000	139,940	(22,060)
Welfare fraud reimbursement	-	608	608
Cigarette tax	20,713	20,713	-
Remonumentation program	96,936	137,395	40,459
O R V grant	7,400	6,259	(1,141)
Community service work program	8,490	7,983	(507)
Total State Sources	<u>1,200,388</u>	<u>1,207,222</u>	<u>6,834</u>

County of Houghton, Michigan
MAJOR GOVERNMENTAL FUNDS
GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended September 30, 2005

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
Charges for Services:			
Circuit Court costs	\$ 25,395	\$ 25,887	\$ 492
Circuit Court services	25,500	27,208	1,708
District Court costs	176,000	180,844	4,844
District Court supervision fees	20,500	21,078	578
District Court civil fees	56,400	68,712	12,312
Register of Deeds services	173,500	178,632	5,132
Real estate transfer tax	68,500	79,883	11,383
Friend of Court services	52,500	55,821	3,321
Probate Court services	12,500	13,350	850
Treasurer services	16,000	5,838	(10,162)
Clerk services	48,500	51,176	2,676
Sheriff services	57,000	70,821	13,821
Tax department services	61,500	65,193	3,693
Bond costs	6,000	5,683	(317)
Remonumentation fees	400	461	61
Attorney fees	6,000	5,690	(310)
Prisoner board	50,000	56,435	6,435
Circuit/District reimbursement	79,999	78,668	(1,331)
CCF collection fees	2,500	-	(2,500)
CC enhancement fees	1,800	2,683	883
Total Charges for Services	<u>940,494</u>	<u>994,063</u>	<u>53,569</u>
Interest	<u>164,000</u>	<u>144,859</u>	<u>(19,141)</u>
Other Revenues:			
Telephone calls	17,036	19,520	2,484
Penal fines	250	180	(70)
Ordinance fines and costs	9,500	12,034	2,534
Bond forfeitures	1,200	3,150	1,950
Rentals	81,000	87,030	6,030
Sale of assets	112,807	112,807	-
Refunds	3,700	14,043	10,343
Controller administration	3,550	3,550	-
Civil defense services	385	138	(247)
Reimbursements	2,000	2,276	276
Gain/Loss on investment	(35,000)	(47,982)	(12,982)
Miscellaneous other	2,000	7,650	5,650
Total Other Revenues	<u>198,428</u>	<u>214,396</u>	<u>15,968</u>
TOTAL REVENUES	<u>6,050,084</u>	<u>6,251,631</u>	<u>201,547</u>

County of Houghton, Michigan
MAJOR GOVERNMENTAL FUNDS
GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended September 30, 2005

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
EXPENDITURES:			
LEGISLATIVE:			
Board of Commissioners:			
Personnel services	\$ 51,012	\$ 48,101	\$ 2,911
Supplies	2,150	731	1,419
Other services and charges	47,000	50,037	(3,037)
TOTAL LEGISLATIVE	<u>100,162</u>	<u>98,869</u>	<u>1,293</u>
JUDICIAL:			
Circuit Court:			
Personnel services	140,846	141,646	(800)
Supplies	4,200	4,286	(86)
Other services and charges	105,856	107,429	(1,573)
Total Circuit Court	<u>250,902</u>	<u>253,361</u>	<u>(2,459)</u>
District Court:			
Personnel services	280,849	280,238	611
Supplies	8,000	7,985	15
Other services and charges	57,275	56,415	860
Total District Court	<u>346,124</u>	<u>344,638</u>	<u>1,486</u>
Friend of the Court:			
Personnel services	199,705	198,977	728
Supplies	5,000	3,833	1,167
Other services and charges	168,699	157,534	11,165
Total Friend of the Court	<u>373,404</u>	<u>360,344</u>	<u>13,060</u>
FOC/Medical Enforce:			
Personnel services	14,001	19,562	(5,561)
Supplies	332	74	258
Other services and charges	3,576	4,071	(495)
Total FOC/Medical Enforce	<u>17,909</u>	<u>23,707</u>	<u>(5,798)</u>
Probate Court:			
Personnel services	313,971	307,559	6,412
Supplies	4,000	3,384	616
Other services and charges	38,181	35,275	2,906
Total Probate Court	<u>356,152</u>	<u>346,218</u>	<u>9,934</u>
TOTAL JUDICIAL	<u>1,344,491</u>	<u>1,328,268</u>	<u>16,223</u>
ELECTIONS:			
Personnel services	2,500	870	1,630
Supplies	17,968	17,968	-
Other services and charges	4,927	4,953	(26)
TOTAL ELECTIONS	<u>25,395</u>	<u>23,791</u>	<u>1,604</u>

County of Houghton, Michigan
MAJOR GOVERNMENTAL FUNDS
GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended September 30, 2005

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
GENERAL SERVICES AND ADMINISTRATION:			
County Clerk:			
Personnel services	\$ 123,932	\$ 124,387	\$ (455)
Supplies	4,200	2,423	1,777
Other services and charges	3,550	2,806	744
Total County Clerk	<u>131,682</u>	<u>129,616</u>	<u>2,066</u>
Equalization:			
Personnel services	124,877	126,073	(1,196)
Supplies	22,831	22,831	-
Other services and charges	4,955	2,810	2,145
Total Equalization	<u>152,663</u>	<u>151,714</u>	<u>949</u>
Register of Deeds:			
Personnel services	104,488	105,141	(653)
Supplies	3,500	1,904	1,596
Other services and charges	1,875	946	929
Total Register of Deeds	<u>109,863</u>	<u>107,991</u>	<u>1,872</u>
Monumentation/Remonumentation:			
Other services and charges	96,795	134,838	(38,043)
Total Monumentation/Remonumentation	<u>96,795</u>	<u>134,838</u>	<u>(38,043)</u>
Record Copying:			
Supplies	1,500	119	1,381
Other services and charges	16,436	14,717	1,719
Total Record Copying	<u>17,936</u>	<u>14,836</u>	<u>3,100</u>
Mailing			
Supplies	32,000	31,766	234
Other services and charges	2,265	3,364	(1,099)
Total Mailing	<u>34,265</u>	<u>35,130</u>	<u>(865)</u>
Courthouse and Grounds:			
Personnel services	49,813	50,728	(915)
Supplies	18,500	14,330	4,170
Other services and charges	75,775	78,027	(2,252)
Total Courthouse and Grounds	<u>144,088</u>	<u>143,085</u>	<u>1,003</u>
County Properties:			
Personnel services	25,140	25,291	(151)
Other services and charges	6,275	6,274	1
Total County Properties	<u>31,415</u>	<u>31,565</u>	<u>(150)</u>
Treasurer:			
Personnel services	136,256	137,947	(1,691)
Supplies	2,500	1,639	861
Other services and charges	5,573	7,125	(1,552)
Total Treasurer	<u>144,329</u>	<u>146,711</u>	<u>(2,382)</u>

County of Houghton, Michigan
MAJOR GOVERNMENTAL FUNDS
GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended September 30, 2005

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
Controller:			
Personnel services	\$ 178,288	\$ 180,310	\$ (2,022)
Supplies	2,100	822	1,278
Other services and charges	9,875	8,198	1,677
Total Controller	<u>190,263</u>	<u>189,330</u>	<u>933</u>
Drain Commissioner:			
Personnel services	10,215	10,638	(423)
Supplies	300	140	160
Other services and charges	2,735	1,586	1,149
Total Drain Commissioner	<u>13,250</u>	<u>12,364</u>	<u>886</u>
Prosecuting Attorney:			
Personnel services	191,986	190,937	1,049
Supplies	5,000	4,400	600
Other services and charges	9,150	5,800	3,350
Total Prosecuting Attorney	<u>206,136</u>	<u>201,137</u>	<u>4,999</u>
TOTAL GENERAL SERVICES AND ADMINISTRATION	<u>1,272,685</u>	<u>1,298,317</u>	<u>(25,632)</u>
PUBLIC SAFETY:			
Law Enforcement:			
Sheriff:			
Personnel services	565,953	569,907	(3,954)
Supplies	28,389	3,544	24,845
Other services and charges	62,789	80,041	(17,252)
Total Sheriff	<u>657,131</u>	<u>653,492</u>	<u>3,639</u>
Sheriff - Secondary Roads:			
Personnel services	113,088	122,571	(9,483)
Supplies	-	-	-
Other services and charges	6,100	6,107	(7)
Total Sheriff - Secondary Roads	<u>119,188</u>	<u>128,678</u>	<u>(9,490)</u>
Snowmobile Safety:			
Personnel services	14,036	9,425	4,611
Other services and charges	3,115	2,006	1,109
Total Snowmobile Safety	<u>17,151</u>	<u>11,431</u>	<u>5,720</u>
Total Law Enforcement	<u>793,470</u>	<u>793,601</u>	<u>(131)</u>
Corrections:			
Jail:			
Personnel services	350,180	353,257	(3,077)
Supplies	9,000	5,073	3,927
Other services and charges	131,100	128,278	2,822
Total Corrections	<u>490,280</u>	<u>486,608</u>	<u>3,672</u>

County of Houghton, Michigan
MAJOR GOVERNMENTAL FUNDS
GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended September 30, 2005

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
Protective:			
Marine Safety:			
Personnel services	\$ 12,282	\$ 9,157	\$ 3,125
Other services and charges	6,650	4,929	1,721
Total Marine Safety	<u>18,932</u>	<u>14,086</u>	<u>4,846</u>
Mine Inspector:			
Personnel services	8,000	6,534	1,466
Other services and charges	2,000	1,096	904
Total Mine Inspector	<u>10,000</u>	<u>7,630</u>	<u>2,370</u>
Building Official:			
Personnel services	167,204	162,056	5,148
Supplies	4,092	3,606	486
Other services and charges	21,805	23,956	(2,151)
Total Building Official	<u>193,101</u>	<u>189,618</u>	<u>3,483</u>
Civil Defense:			
Personnel services	27,748	27,738	10
Supplies	850	104	746
Other services and charges	22,120	15,731	6,389
Total Civil Defense	<u>50,718</u>	<u>43,573</u>	<u>7,145</u>
Animal Control:			
Personnel services	-	(652)	652
Supplies	250	-	250
Other services and charges	19,600	18,585	1,015
Total Animal Control	<u>19,850</u>	<u>17,933</u>	<u>1,917</u>
Total Protective	<u>292,601</u>	<u>272,840</u>	<u>19,761</u>
TOTAL PUBLIC SAFETY	<u>1,576,351</u>	<u>1,553,049</u>	<u>23,302</u>
PUBLIC WORKS:			
Personnel services	30,006	30,066	(60)
Supplies	50	-	50
Other services and charges	3,616	3,676	(60)
TOTAL PUBLIC WORKS	<u>33,672</u>	<u>33,742</u>	<u>(70)</u>
HEALTH AND WELFARE:			
Commission on Aging:			
Other services and charges	2,000	2,000	-
TOTAL HEALTH AND WELFARE	<u>2,000</u>	<u>2,000</u>	<u>-</u>

County of Houghton, Michigan
MAJOR GOVERNMENTAL FUNDS
GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended September 30, 2005

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
RECREATION AND CULTURE:			
Cooperative Extension Services:			
Personnel services	\$ 29,771	\$ 29,890	\$ (119)
Supplies	1,320	1,320	-
Other services and charges	28,625	26,269	2,356
Total Cooperative Extension Services	59,716	57,479	2,237
Contributions to Others:			
Substance abuse	70,856	70,856	-
Western UP. Planning and Development	9,838	9,838	-
UNCAP	1,100	1,100	-
Recreation and Development Council	300	300	-
Veteran's Flags	500	500	-
C.C. Veteran's Association	2,000	2,000	-
Total Contributions to Others	84,594	84,594	-
TOTAL RECREATION AND CULTURE	144,310	142,073	2,237
OTHER:			
Fringe Benefits:			
Social security	223,600	217,451	6,149
Hospitalization	556,500	533,812	22,688
Life insurance	8,000	6,062	1,938
Workmen's compensation	23,000	20,578	2,422
Health services	700	639	61
Retirement	421,800	423,199	(1,399)
Total Fringe Benefits	1,233,600	1,201,741	31,859
Special Appropriations:			
Cigarette tax	15,895	14,621	1,274
Jury commission	10,302	5,302	5,000
Medical examiner	22,000	17,975	4,025
Veteran's burials	18,000	18,756	(756)
Copper Country Mental Health Authority	164,495	164,495	-
Total Special Appropriations	230,692	221,149	9,543
Insurance and bonds	111,113	111,209	(96)
Refunds	25,280	25,029	251
Miscellaneous	8,663	9,923	(1,260)
TOTAL OTHER	1,609,348	1,569,051	40,297
CAPITAL OUTLAY	137,908	159,318	(21,410)
DEBT SERVICE	115,905	113,760	2,145
TOTAL EXPENDITURES	6,362,227	6,322,238	39,989
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(312,143)	(70,607)	241,536

County of Houghton, Michigan
MAJOR GOVERNMENTAL FUNDS
GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended September 30, 2005

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
OTHER FINANCING SOURCES (USES):			
Loan proceeds	\$ -	\$ -	\$ -
Transfers in:			
Marriage Counseling	3,000	3,000	-
Delinquent Tax Funds	333,924	333,924	-
Social Services	76,000	-	(76,000)
Solid Waste Transfer	70,000	70,000	-
Revenue Sharing	612,886	612,886	-
Arena Project	-	12,442	12,442
Total Operating Transfers In	<u>1,095,810</u>	<u>1,032,252</u>	<u>(63,558)</u>
Transfers (out):			
Law Library	(11,000)	(11,500)	(500)
Social Welfare	(76,000)	-	76,000
Child Care	(220,000)	(246,250)	(26,250)
Register of Deed's	(40,000)	(57,895)	(17,895)
Airport	(200,000)	(200,000)	-
Tri-County Work Camp	(215,000)	(228,715)	(13,715)
Total Operating Transfers (Out)	<u>(762,000)</u>	<u>(744,360)</u>	<u>17,640</u>
Transfers to Component Units:			
Western UP. District Health	(175,000)	(173,803)	1,197
Total Operating Transfers to Component Units	<u>(175,000)</u>	<u>(173,803)</u>	<u>1,197</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>158,810</u>	<u>114,089</u>	<u>(44,721)</u>
CHANGE IN FUND BALANCE	<u>(153,333)</u>	<u>43,482</u>	<u>196,815</u>
Fund balance, beginning of year	<u>350,732</u>	<u>350,732</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 197,399</u></u>	<u><u>\$ 394,214</u></u>	<u><u>\$ 196,815</u></u>

County of Houghton, Michigan

NON-MAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

September 30, 2005

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total
ASSETS				
Cash and cash equivalents	\$ 566,050	\$ 40,631	\$ 154,948	\$ 761,629
Investments	436,384	-	-	436,384
Receivables	14,718	7,145	-	21,863
Due from State	20,600	-	-	20,600
Due from other funds	40,465	-	-	40,465
Loans receivable	109,380	-	-	109,380
TOTAL ASSETS	<u>\$ 1,187,597</u>	<u>\$ 47,776</u>	<u>\$ 154,948</u>	<u>\$ 1,390,321</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES:				
Cash overdraft	\$ 18,672	\$ -	\$ -	\$ 18,672
Accounts payable	41,245	-	-	41,245
Due to other funds	-	1,500	-	1,500
Accrued payroll and related	3,249	-	-	3,249
Accrued sick and vacation	2,541	-	-	2,541
Deferred revenue	109,380	-	-	109,380
TOTAL LIABILITIES	<u>175,087</u>	<u>1,500</u>	<u>-</u>	<u>176,587</u>
FUND BALANCE:				
Reserved for:				
Debt Service	-	46,276	-	46,276
Unreserved, reported in:				
Special revenue funds	1,012,510	-	-	1,012,510
Capital projects funds	-	-	154,948	154,948
TOTAL FUND BALANCE	<u>1,012,510</u>	<u>46,276</u>	<u>154,948</u>	<u>1,213,734</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,187,597</u>	<u>\$ 47,776</u>	<u>\$ 154,948</u>	<u>\$ 1,390,321</u>

County of Houghton, Michigan

NON-MAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Fiscal Year Ended September 30, 2005

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total
REVENUES:				
Property taxes	\$ 996,584	\$ -	\$ -	\$ 996,584
Federal sources	265,084	-	-	265,084
State sources	214,600	-	-	214,600
Local units	10,164	-	3,513	13,677
Charges for services	140,326	91,773	-	232,099
Fines and forfeits	4,500	-	-	4,500
Interest	9,823	1,174	4,547	15,544
Other	3,078	-	-	3,078
TOTAL REVENUES	1,644,159	92,947	8,060	1,745,166
EXPENDITURES:				
Current operations:				
Judicial	18,566	-	-	18,566
General services and administration	10,572	-	-	10,572
Public safety	550,055	-	-	550,055
Health and welfare	388,896	-	-	388,896
Community and economic development	323,452	-	-	323,452
Recreation and culture	-	-	-	-
Capital Outlay	-	-	661,143	661,143
Debt service	139,667	98,000	3,221	240,888
TOTAL EXPENDITURES	1,431,208	98,000	664,364	2,193,572
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	212,951	(5,053)	(656,304)	(448,406)
OTHER FINANCING SOURCES (USES):				
Loan proceeds	-	-	650,000	650,000
Transfer in	767,010	-	15,740	782,750
Transfer in (out)	(624,810)	-	(12,442)	(637,252)
TOTAL OTHER FINANCING SOURCES (USES)	142,200	-	653,298	795,498
CHANGE IN FUND BALANCE	355,151	(5,053)	(3,006)	347,092
Fund balance, beginning of year	657,359	51,329	157,954	866,642
FUND BALANCE, END OF YEAR	\$ 1,012,510	\$ 46,276	\$ 154,948	\$ 1,213,734

County of Houghton, Michigan

NON-MAJOR SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

September 30, 2005

ASSETS	Prescription Drugs Fund	Prosecutor's Forfeiture Account Fund	Tri-County Community Corrections Fund	Tri-County Work Camp Fund	Special Equipment & Reward Fund	Drug Enforcement Fund	ALERT. Fund	ORV Equipment Fund	Friend of the Court Fund	D T R F Admin Fund	Hazard Mitigation Grant Fund	Houghton County Arts Grant Fund
Cash and cash equivalents	\$ 1,394	\$ 5,288	\$ 94,007	\$ -	\$ 4,675	\$ 3,059	\$ 13,702	\$ 1,455	\$ 21,976	\$ -	\$ -	\$ 138
Investments	-	-	-	-	-	-	-	-	-	-	-	-
Receivables	-	-	2,120	2,310	-	-	-	-	170	-	-	-
Due from State	-	-	4,778	-	-	-	-	-	24	-	-	-
Due from other funds	-	-	-	13,715	-	-	-	-	-	-	-	-
Loans receivable	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 1,394	\$ 5,288	\$ 100,905	\$ 16,025	\$ 4,675	\$ 3,059	\$ 13,702	\$ 1,455	\$ 22,170	\$ -	\$ -	\$ 138
LIABILITIES AND FUND BALANCE												
LIABILITIES:												
Cash overdraft	\$ -	\$ -	\$ -	\$ 4,732	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	25	2,188	5,502	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-	-	-	-	-
Accrued payroll and related	-	-	-	3,249	-	-	-	-	-	-	-	-
Accrued sick and vacation	-	-	-	2,541	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	-	25	2,188	16,024	-	-	-	-	-	-	-	-
FUND BALANCE:												
Unreserved	1,394	5,263	98,717	1	4,675	3,059	13,702	1,455	22,170	-	-	138
TOTAL FUND BALANCE	1,394	5,263	98,717	1	4,675	3,059	13,702	1,455	22,170	-	-	138
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,394	\$ 5,288	\$ 100,905	\$ 16,025	\$ 4,675	\$ 3,059	\$ 13,702	\$ 1,455	\$ 22,170	\$ -	\$ -	\$ 138

County of Houghton, Michigan
NON-MAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET

September 30, 2005

ASSETS											
Cash and cash equivalents											
Investments	\$ 69,275										
Receivables	-										
Due from State	-	9,497									
Due from other funds	-	-									
Loans receivable	-	-									
TOTAL ASSETS	\$ 69,275	\$ 238,390	\$ 1,083	\$ 3,850	\$ -	\$ -	\$ 4,191	\$ 244,031	\$ 13,445	\$ 80,788	\$ -
LIABILITIES AND FUND BALANCE											
LIABILITIES:											
Cash overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 287
Accounts payable	-	-	1,536	-	-	-	122	-	-	4,181	25,449
Due to other funds	-	-	-	-	-	-	-	-	-	-	-
Accrued payroll and related	-	-	-	-	-	-	-	-	-	-	-
Accrued sick and vacation	-	-	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	-	-	1,536	-	-	-	122	-	-	4,181	25,736
FUND BALANCE:											
Unreserved	69,275	238,390	47	4,320	-	-	4,069	244,031	13,445	76,607	665
TOTAL FUND BALANCE	69,275	238,390	47	4,320	-	-	4,069	244,031	13,445	76,607	665
TOTAL LIABILITIES AND FUND BALANCE	\$ 69,275	\$ 238,390	\$ 1,583	\$ 4,320	\$ -	\$ 501	\$ 4,191	\$ 244,031	\$ 13,445	\$ 80,788	\$ 26,401

County of Houghton, Michigan
NON-MAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET

September 30, 2005

ASSETS		MSHDA R.R. Fund	Veteran's Trust Fund	SAP Grant Fund	WMD Grant Fund	Family Counseling Fund	Economic Development Revolving Loan Fund	Total
Cash and cash equivalents		\$ 20	\$ 275	\$ -	\$ -	\$ 17,650	\$ 886	\$ 566,050
Investments		21,997	-	-	-	-	170,356	436,384
Receivables		-	-	-	-	-	-	14,718
Due from State		-	-	-	15,297	-	-	20,600
Due from other funds		-	-	-	-	-	-	40,465
Loans receivable		-	-	-	-	-	-	109,380
TOTAL ASSETS		\$ 22,017	\$ 275	\$ -	\$ 15,297	\$ 17,650	\$ 280,622	\$ 1,187,597
LIABILITIES AND FUND BALANCE								
LIABILITIES:								
Cash overdraft		\$ -	\$ -	\$ -	\$ 13,152	\$ -	\$ -	\$ 18,672
Accounts payable		-	97	-	2,145	-	-	41,245
Due to other funds		-	-	-	-	-	-	-
Accrued payroll and related		-	-	-	-	-	-	3,249
Accrued sick and vacation		-	-	-	-	-	-	2,541
Deferred revenue		-	-	-	-	-	-	109,380
TOTAL LIABILITIES		-	97	-	15,297	-	109,380	175,087
FUND BALANCE:								
Unreserved		22,017	178	-	-	17,650	171,242	1,012,510
TOTAL FUND BALANCE		22,017	178	-	-	17,650	171,242	1,012,510
TOTAL LIABILITIES AND FUND BALANCE		\$ 22,017	\$ 275	\$ -	\$ 15,297	\$ 17,650	\$ 280,622	\$ 1,187,597

NON-MAJOR SPECIAL REVENUE FUNDS
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended September 30, 2005

	Prescription Drugs Fund	Prosecutor's Forfeiture Account Fund	Tn-County Community Corrections Fund	Tn-County Work Camp Fund	Special Equipment & Reward Fund	Drug Enforcement Fund	ALERT Fund	ORV Equipment Fund	Friend of the Court Fund	D T R F Admin Fund	Hazard Mitigation Grant Fund
REVENUES:											
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal sources	-	-	-	35,047	-	-	-	-	-	-	48,377
State sources	-	-	122,245	-	-	-	-	-	373	-	-
Local sources	-	-	-	-	8,848	10	806	-	-	-	-
Charges for services	3,075	-	24,239	28,326	-	-	-	1,455	8,660	-	-
Fines and forfeits	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	54	25	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
TOTAL REVENUES	3,075	-	146,484	63,373	8,902	35	806	1,455	9,033	-	48,377
EXPENDITURES:											
Current operations:											
Judicial	-	-	-	-	-	-	-	-	638	-	-
General services and administration	-	25	-	-	-	-	-	-	-	18	-
Public safety	-	-	131,032	310,253	9,570	10	115	-	-	-	48,377
Health and welfare	2,364	-	-	-	-	-	-	-	-	-	-
Community and economic development	-	-	-	-	-	-	-	-	-	-	-
Recreation and culture	-	-	-	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	2,364	25	131,032	310,253	9,570	10	115	-	638	18	48,377
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	711	(25)	15,452	(246,880)	(668)	25	691	1,455	8,395	(18)	-
OTHER FINANCING SOURCES (USES):											
Transfer in	-	-	-	228,715	-	-	-	-	-	-	-
Transfer (out)	(1,000)	-	-	-	-	-	-	-	-	(7,924)	-
TOTAL OTHER FINANCING SOURCES (USES)	(1,000)	-	-	228,715	-	-	-	-	-	(7,924)	-
CHANGES IN FUND BALANCE	(289)	(25)	15,452	(18,165)	(668)	25	691	1,455	8,395	(7,942)	-
Fund balance, beginning of year	1,683	5,288	83,265	18,166	5,343	3,034	13,011	-	13,775	7,942	-
FUND BALANCE, END OF YEAR	\$ 1,394	\$ 5,263	\$ 98,717	\$ 1	\$ 4,675	\$ 3,059	\$ 13,702	\$ 1,455	\$ 22,170	\$ -	\$ -

NON-MAJOR SPECIAL REVENUE FUNDS
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Fiscal Year Ended September 30, 2005

	Houghton County Arts Grant Fund	ROD Automation Fund	Airport Passenger Facility Fund	Law Library Fund	Corrections Officers Training Fund	OEM Exercise Grant Fund	S H S G P Path II Training Fund	Justice Training Fund	Revenue Sharing Fund	CDBG Housing Fund	Social Welfare Fund
REVENUES:											
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 996,584	\$ -	\$ -
Federal sources	-	-	-	-	-	4,000	1,599	-	-	105,204	-
State sources	-	-	-	-	-	-	-	4,229	-	-	63,859
Local sources	-	-	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	4,320	-	-	-	-	-	-
Fines and forfeits	-	-	-	4,500	-	-	-	-	-	-	-
Interest	-	919	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	3,078
TOTAL REVENUES	-	919	-	4,500	4,320	4,000	1,599	4,229	996,584	105,204	66,937
EXPENDITURES:											
Current operations:											
Judicial	-	-	-	-	-	-	-	-	-	-	-
General services and administration	-	10,529	-	17,928	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	4,000	1,599	8,552	-	-	-
Health and welfare	-	-	-	-	-	-	-	-	-	-	115,336
Community and economic development	-	-	-	-	-	-	-	-	-	108,204	-
Recreation and culture	-	-	-	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-	139,667	-	-
TOTAL EXPENDITURES	-	10,529	-	17,928	-	4,000	1,599	8,552	139,667	108,204	115,336
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(9,610)	-	(13,428)	4,320	-	-	(4,323)	855,917	-	(48,399)
OTHER FINANCING SOURCES (USES):											
Transfer in	-	42,155	238,390	11,500	-	-	-	-	-	-	-
Transfer (out)	-	-	-	-	-	-	-	-	(612,886)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	42,155	238,390	11,500	-	-	-	-	(612,886)	-	-
CHANGES IN FUND BALANCE	-	32,545	238,390	(1,928)	4,320	-	-	(4,323)	244,031	-	(48,399)
Fund balance, beginning of year	138	36,730	-	1,975	-	-	-	8,392	-	13,445	125,006
FUND BALANCE, END OF YEAR	\$ 138	\$ 69,275	\$ 238,390	\$ 47	\$ 4,320	\$ -	\$ -	\$ 4,069	\$ 244,031	\$ 13,445	\$ 76,607

NON-MAJOR SPECIAL REVENUE FUNDS
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Fiscal Year Ended September 30, 2005

	Child Care Fund	MSHDA R.R. Fund	Veteran's Trust Fund	SAP Grant Fund	WMD Grant Fund	Family Counseling Fund	Economic Development Revolving Loan Fund	Total
REVENUES:								
Property taxes	-	-	-	-	-	-	-	996,584
Federal sources	-	31,310	-	21,250	15,297	-	-	265,084
State sources	19,562	-	4,332	-	-	-	-	214,800
Local sources	-	500	-	-	-	-	-	10,164
Charges for services	-	-	-	-	-	3,755	66,496	140,326
Fines and forfeits	-	-	-	-	-	-	-	4,500
Interest	-	1,415	-	-	-	-	7,410	9,823
Other	-	-	-	-	-	-	-	3,078
TOTAL REVENUES	19,562	33,225	4,332	21,250	15,297	3,755	73,908	1,644,159
EXPENDITURES:								
Current operations:								
Judicial	-	-	-	-	-	-	-	18,568
General services and administration	-	-	-	-	-	-	-	10,572
Public safety	-	-	-	21,250	15,297	-	-	550,055
Health and welfare	285,505	-	4,499	-	-	1,192	-	388,896
Community and economic development	-	74,542	-	-	-	-	140,706	323,452
Recreation and culture	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	139,667
TOTAL EXPENDITURES	285,505	74,542	4,499	21,250	15,297	1,192	140,706	1,431,208
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(245,943)	(41,317)	(167)	-	-	2,563	(66,800)	212,951
OTHER FINANCING SOURCES (USES):								
Transfer in	246,250	-	-	-	-	-	-	767,010
Transfer (out)	-	-	-	-	-	(3,000)	-	(624,810)
TOTAL OTHER FINANCING SOURCES (USES)	246,250	-	-	-	-	(3,000)	-	142,200
CHANGES IN FUND BALANCE	307	(41,317)	(167)	-	-	(437)	(66,800)	355,151
Fund balance, beginning of year	358	63,334	345	-	-	18,087	238,042	657,369
FUND BALANCE, END OF YEAR	665	22,017	178	-	-	17,650	171,242	1,012,510

County of Houghton, Michigan

PRESCRIPTION DRUGS FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended September 30, 2005

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
Charge for service	\$ 4,996	\$ 3,075	\$ (1,921)
TOTAL REVENUES	<u>4,996</u>	<u>3,075</u>	<u>(1,921)</u>
EXPENDITURES:			
Health and Welfare:			
Other services and charges	<u>3,996</u>	<u>2,364</u>	<u>1,632</u>
TOTAL EXPENDITURES	<u>3,996</u>	<u>2,364</u>	<u>1,632</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,000</u>	<u>711</u>	<u>(289)</u>
OTHER FINANCING SOURCES (USES):			
Transfers (out)	<u>-</u>	<u>(1,000)</u>	<u>(1,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(1,000)</u>	<u>(1,000)</u>
CHANGE IN FUND BALANCE	1,000	(289)	(1,289)
Fund balance, beginning of year	<u>1,683</u>	<u>1,683</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 2,683</u></u>	<u><u>\$ 1,394</u></u>	<u><u>\$ (1,289)</u></u>

County of Houghton, Michigan

PROSECUTOR'S FORFEITURE ACCOUNT FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended September 30, 2005

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
Other	\$ 100	\$ -	\$ (100)
TOTAL REVENUES	<u>100</u>	<u>-</u>	<u>(100)</u>
EXPENDITURES:			
General Services and Administration:			
Other services and charges	<u>100</u>	<u>25</u>	<u>75</u>
TOTAL EXPENDITURES	<u>100</u>	<u>25</u>	<u>75</u>
CHANGE IN FUND BALANCE	-	(25)	(25)
Fund balance, beginning of year	<u>5,288</u>	<u>5,288</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 5,288</u>	<u>\$ 5,263</u>	<u>\$ (25)</u>

County of Houghton, Michigan

TRI-COUNTY COMMUNITY CORRECTIONS FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended September 30, 2005

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
State sources	\$ 123,081	\$ 122,245	\$ (836)
Charges for services	17,350	20,780	3,430
Miscellaneous programs	1,900	3,459	1,559
TOTAL REVENUES	<u>142,331</u>	<u>146,484</u>	<u>4,153</u>
EXPENDITURES:			
Public Safety:			
Other services and charges	<u>144,677</u>	<u>131,032</u>	<u>13,645</u>
TOTAL EXPENDITURES	<u>144,677</u>	<u>131,032</u>	<u>13,645</u>
CHANGE IN FUND BALANCE	(2,346)	15,452	17,798
Fund balance, beginning of year	<u>83,265</u>	<u>83,265</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 80,919</u></u>	<u><u>\$ 98,717</u></u>	<u><u>\$ 17,798</u></u>

County of Houghton, Michigan

TRI-COUNTY WORK CAMP FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended September 30, 2005

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
Federal sources	\$ 35,046	\$ 35,047	\$ 1
Charges for services	23,600	28,326	4,726
TOTAL REVENUES	<u>58,646</u>	<u>63,373</u>	<u>4,727</u>
EXPENDITURES:			
Public Safety:			
Other services and charges	305,212	310,253	(5,041)
Capital Outlay		-	-
TOTAL EXPENDITURES	<u>305,212</u>	<u>310,253</u>	<u>(5,041)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(246,566)</u>	<u>(246,880)</u>	<u>(314)</u>
OTHER FINANCING SOURCES			
Transfer in	215,000	228,715	13,715
TOTAL OTHER FINANCING SOURCES	<u>215,000</u>	<u>228,715</u>	<u>13,715</u>
CHANGE IN FUND BALANCE	<u>(31,566)</u>	<u>(18,165)</u>	<u>13,401</u>
Fund balance, beginning of year	18,166	18,166	-
FUND BALANCE, END OF YEAR	<u><u>\$ (13,400)</u></u>	<u><u>\$ 1</u></u>	<u><u>\$ 13,401</u></u>

County of Houghton, Michigan

SPECIAL EQUIPMENT & REWARD FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended September 30, 2005

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
Contributions	\$ 8,500	\$ 8,848	\$ 348
Interest	25	54	29
TOTAL REVENUES	<u>8,525</u>	<u>8,902</u>	<u>377</u>
EXPENDITURES:			
Public Safety:			
Other services and charges	<u>9,650</u>	<u>9,570</u>	<u>80</u>
TOTAL EXPENDITURES	<u>9,650</u>	<u>9,570</u>	<u>80</u>
CHANGE IN FUND BALANCE	<u>(1,125)</u>	<u>(668)</u>	<u>457</u>
Fund balance, beginning of year	<u>5,343</u>	<u>5,343</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 4,218</u></u>	<u><u>\$ 4,675</u></u>	<u><u>\$ 457</u></u>

County of Houghton, Michigan

DRUG ENFORCEMENT FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended September 30, 2005

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
Interest	\$ 25	\$ 25	\$ -
Contributions	-	10	10
Sale of confiscated items	250	-	(250)
TOTAL REVENUES	<u>275</u>	<u>35</u>	<u>(240)</u>
EXPENDITURES:			
Public Safety:			
Other services and charges	250	10	240
TOTAL EXPENDITURES	<u>250</u>	<u>10</u>	<u>240</u>
CHANGE IN FUND BALANCE	25	25	-
Fund balance, beginning of year	3,034	3,034	-
FUND BALANCE, END OF YEAR	<u>\$ 3,059</u>	<u>\$ 3,059</u>	<u>\$ -</u>

County of Houghton, Michigan

ALERT FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended September 30, 2005

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
Interest	\$ -	\$ -	\$ -
Contributions	200	806	606
TOTAL REVENUES	<u>200</u>	<u>806</u>	<u>606</u>
EXPENDITURES:			
Public Safety			
Other services and charges	200	115	85
TOTAL EXPENDITURES	<u>200</u>	<u>115</u>	<u>85</u>
CHANGE IN FUND BALANCE	-	691	691
Fund balance, beginning of year	<u>13,011</u>	<u>13,011</u>	-
FUND BALANCE, END OF YEAR	<u>\$ 13,011</u>	<u>\$ 13,702</u>	<u>\$ 691</u>

County of Houghton, Michigan

ORV EQUIPMENT FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended September 30, 2005

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Charges for services	<u>\$ 1,455</u>	<u>\$ 1,455</u>	<u>\$ -</u>
TOTAL REVENUES	<u>1,455</u>	<u>1,455</u>	<u>-</u>
EXPENDITURES:			
Public Safety:			
Other services and charges	<u>1,455</u>	<u>-</u>	<u>1,455</u>
TOTAL EXPENDITURES	<u>1,455</u>	<u>-</u>	<u>1,455</u>
CHANGE IN FUND BALANCE	<u>-</u>	<u>1,455</u>	<u>1,455</u>
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ 1,455</u></u>	<u><u>\$ 1,455</u></u>

County of Houghton, Michigan

FRIEND OF THE COURT FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended September 30, 2005

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
State sources	\$ 300	\$ 373	\$ 73
Charges for services	5,800	6,519	719
Court reimbursements and refunds	<u>1,500</u>	<u>2,141</u>	<u>641</u>
TOTAL REVENUES	<u>7,600</u>	<u>9,033</u>	<u>1,433</u>
EXPENDITURES:			
Judicial:			
Other services and charges	<u>14,966</u>	<u>638</u>	<u>14,328</u>
TOTAL EXPENDITURES	<u>14,966</u>	<u>638</u>	<u>14,328</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(7,366)</u>	<u>8,395</u>	<u>15,761</u>
OTHER FINANCING (USES):			
Transfers (out)	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING (USES)	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN FUND BALANCE	<u>(7,366)</u>	<u>8,395</u>	<u>15,761</u>
Fund balance, beginning of year	<u>13,775</u>	<u>13,775</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 6,409</u></u>	<u><u>\$ 22,170</u></u>	<u><u>\$ 15,761</u></u>

County of Houghton, Michigan

D T R F ADMIN FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended September 30, 2005

	2005		
	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
Interest	\$ -	\$ -	\$ -
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES:			
General Services and Administration:			
Other services and charges	<u>-</u>	<u>18</u>	<u>(18)</u>
TOTAL EXPENDITURES	<u>-</u>	<u>18</u>	<u>(18)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(18)</u>	<u>(18)</u>
OTHER FINANCING SOURCES			
Transfers out	<u>(7,924)</u>	<u>(7,924)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES	<u>(7,924)</u>	<u>(7,924)</u>	<u>-</u>
CHANGE IN FUND BALANCE	<u>(7,924)</u>	<u>(7,942)</u>	<u>(18)</u>
Fund balance, beginning of year	<u>7,942</u>	<u>7,942</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 18</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (18)</u></u>

County of Houghton, Michigan

HAZARD MITIGATION GRANT

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended September 30, 2005

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Federal sources	<u>\$ 38,540</u>	<u>\$ 48,377</u>	<u>\$ 9,837</u>
TOTAL REVENUES	<u>38,540</u>	<u>48,377</u>	<u>9,837</u>
EXPENDITURES:			
Public Safety:			
Other services and charges	<u>38,540</u>	<u>48,377</u>	<u>(9,837)</u>
TOTAL EXPENDITURES	<u>38,540</u>	<u>48,377</u>	<u>(9,837)</u>
CHANGE IN FUND BALANCE	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

County of Houghton, Michigan

HOUGHTON COUNTY ARTS GRANT FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended September 30, 2005

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
State sources	\$ -	\$ -	\$ -
TOTAL REVENUES	-	-	-
EXPENDITURES:			
Recreation and Culture:			
Other services and charges	-	-	-
TOTAL EXPENDITURES	-	-	-
CHANGE IN FUND BALANCE	-	-	-
Fund balance, beginning of year	138	138	-
FUND BALANCE, END OF YEAR	<u>\$ 138</u>	<u>\$ 138</u>	<u>\$ -</u>

County of Houghton, Michigan

ROD AUTOMATION FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended September 30, 2005

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
Interest	\$ 450	\$ 919	\$ 469
TOTAL REVENUES	<u>450</u>	<u>919</u>	<u>469</u>
EXPENDITURES:			
General Services and Administration:			
Other services and charges	30,000	10,529	19,471
Capital outlay	-	-	-
TOTAL EXPENDITURES	<u>30,000</u>	<u>10,529</u>	<u>19,471</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(29,550)</u>	<u>(9,610)</u>	<u>19,940</u>
OTHER FINANCING SOURCES			
Transfers in	40,000	42,155	2,155
TOTAL OTHER FINANCING SOURCES	<u>40,000</u>	<u>42,155</u>	<u>2,155</u>
CHANGE IN FUND BALANCE	<u>10,450</u>	<u>32,545</u>	<u>22,095</u>
Fund balance, beginning of year	<u>36,730</u>	<u>36,730</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 47,180</u>	<u>\$ 69,275</u>	<u>\$ 22,095</u>

County of Houghton, Michigan

AIRPORT PASSENGER FACILITY FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended September 30, 2005

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
Charges for services	\$ -	\$ -	\$ -
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES:			
Public Works:			
Other services and charges	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING (USES):			
Transfer in		238,390	238,390
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>238,390</u>	<u>238,390</u>
CHANGE IN FUND BALANCE	<u>-</u>	<u>238,390</u>	<u>238,390</u>
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ 238,390</u></u>	<u><u>\$ 238,390</u></u>

County of Houghton, Michigan

LAW LIBRARY FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended September 30, 2005

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Penal fines	\$ 4,500	\$ 4,500	\$ -
TOTAL REVENUES	<u>4,500</u>	<u>4,500</u>	<u>-</u>
EXPENDITURES:			
Judicial Supplies	<u>15,204</u>	<u>17,928</u>	<u>(2,724)</u>
TOTAL EXPENDITURES	<u>15,204</u>	<u>17,928</u>	<u>(2,724)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(10,704)</u>	<u>(13,428)</u>	<u>(2,724)</u>
OTHER FINANCING SOURCES			
Transfers in	<u>11,000</u>	<u>11,500</u>	<u>500</u>
TOTAL OTHER FINANCING SOURCES	<u>11,000</u>	<u>11,500</u>	<u>500</u>
CHANGE IN FUND BALANCE	296	(1,928)	(2,224)
Fund balance, beginning of year	<u>1,975</u>	<u>1,975</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 2,271</u></u>	<u><u>\$ 47</u></u>	<u><u>\$ (2,224)</u></u>

County of Houghton, Michigan

CORRECTIONS OFFICERS TRAINING

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended September 30, 2005

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
Charges for services	\$ -	\$ 4,320	\$ 4,320
TOTAL REVENUES	<u>-</u>	<u>4,320</u>	<u>4,320</u>
EXPENDITURES:			
Public Safety:			
Other services and charges	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN FUND BALANCE	-	4,320	4,320
Fund balance, beginning of year	-	-	-
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ 4,320</u>	<u>\$ 4,320</u>

County of Houghton, Michigan

OEM EXERCISE GRANT

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended September 30, 2005

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
Federal sources	\$ -	\$ 4,000	\$ 4,000
TOTAL REVENUES	<u>-</u>	<u>4,000</u>	<u>4,000</u>
EXPENDITURES:			
Public Safety:			
Other services and charges	<u>8,000</u>	<u>4,000</u>	<u>4,000</u>
TOTAL EXPENDITURES	<u>8,000</u>	<u>4,000</u>	<u>4,000</u>
CHANGE IN FUND BALANCE	(8,000)	-	8,000
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ (8,000)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 8,000</u></u>

County of Houghton, Michigan

S H S G P PART II TRAINING GRANT

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended September 30, 2005

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
Federal sources	\$ 2,304	\$ 1,599	\$ (705)
TOTAL REVENUES	<u>2,304</u>	<u>1,599</u>	<u>(705)</u>
EXPENDITURES:			
Public Safety:			
Other services and charges	<u>2,304</u>	<u>1,599</u>	<u>705</u>
TOTAL EXPENDITURES	<u>2,304</u>	<u>1,599</u>	<u>705</u>
CHANGE IN FUND BALANCE	-	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

County of Houghton, Michigan

JUSTICE TRAINING FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended September 30, 2005

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
State sources	\$ 3,800	\$ 4,229	\$ 429
TOTAL REVENUES	<u>3,800</u>	<u>4,229</u>	<u>429</u>
EXPENDITURES:			
Public Safety:			
Other services and charges	<u>7,832</u>	<u>8,552</u>	<u>(720)</u>
TOTAL EXPENDITURES	<u>7,832</u>	<u>8,552</u>	<u>(720)</u>
CHANGE IN FUND BALANCE	(4,032)	(4,323)	(291)
Fund balance, beginning of year	<u>8,392</u>	<u>8,392</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 4,360</u>	<u>\$ 4,069</u>	<u>\$ (291)</u>

County of Houghton, Michigan

REVENUE SHARING FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended September 30, 2005

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
Property taxes	\$ 1,000,000	\$ 996,584	\$ (3,416)
TOTAL REVENUES	<u>1,000,000</u>	<u>996,584</u>	<u>(3,416)</u>
EXPENDITURES:			
Debt Service:			
Revenue sharing payback	-	139,667	(139,667)
TOTAL EXPENDITURES	<u>-</u>	<u>139,667</u>	<u>(139,667)</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>1,000,000</u>	<u>856,917</u>	<u>(143,083)</u>
OTHER FINANCING SOURCES:			
Transfers out	(612,886)	(612,886)	-
TOTAL OTHER FINANCING SOURCES	<u>(612,886)</u>	<u>(612,886)</u>	<u>-</u>
CHANGE IN FUND BALANCE	<u>387,114</u>	<u>244,031</u>	<u>(143,083)</u>
Fund balance, beginning of year	-	-	-
FUND BALANCE, END OF YEAR	<u>\$ 387,114</u>	<u>\$ 244,031</u>	<u>\$ (143,083)</u>

County of Houghton, Michigan

CDBG HOUSING FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended September 30, 2005

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
Federal sources	\$ 108,204	\$ 108,204	\$ -
TOTAL REVENUES	<u>108,204</u>	<u>108,204</u>	<u>-</u>
EXPENDITURES:			
Community and Economic Development:			
Other services and charges	<u>108,204</u>	<u>108,204</u>	<u>-</u>
TOTAL EXPENDITURES	<u>108,204</u>	<u>108,204</u>	<u>-</u>
CHANGE IN FUND BALANCE	-	-	-
Fund balance, beginning of year	<u>13,445</u>	<u>13,445</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 13,445</u>	<u>\$ 13,445</u>	<u>\$ -</u>

County of Houghton, Michigan

SOCIAL WELFARE FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended September 30, 2005

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
State sources	\$ 288,779	\$ 63,859	\$ (224,920)
Other	5,000	3,078	(1,922)
TOTAL REVENUES	<u>293,779</u>	<u>66,937</u>	<u>(226,842)</u>
EXPENDITURES:			
Health and Welfare:			
Other services and charges	293,779	115,336	178,443
TOTAL EXPENDITURES	<u>293,779</u>	<u>115,336</u>	<u>178,443</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(48,399)</u>	<u>(48,399)</u>
OTHER FINANCING SOURCES:			
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN FUND BALANCE	<u>-</u>	<u>(48,399)</u>	<u>(48,399)</u>
Fund balance, beginning of year	125,006	125,006	-
FUND BALANCE, END OF YEAR	<u><u>\$ 125,006</u></u>	<u><u>\$ 76,607</u></u>	<u><u>\$ (48,399)</u></u>

County of Houghton, Michigan

CHILD CARE FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended September 30, 2005

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
State sources	\$ 15,000	\$ 15,000	\$ -
State reimbursements and refunds	5,000	4,562	(438)
TOTAL REVENUES	<u>20,000</u>	<u>19,562</u>	<u>(438)</u>
EXPENDITURES:			
Health and Welfare:			
Personnel services	63,146	61,377	1,769
Court supervised - Family Foster Care	153,600	168,841	(15,241)
State Ward expenditures	18,600	35,287	(16,687)
TOTAL EXPENDITURES	<u>235,346</u>	<u>265,505</u>	<u>(30,159)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(215,346)</u>	<u>(245,943)</u>	<u>(30,597)</u>
OTHER FINANCING SOURCES			
Transfers in	220,000	246,250	26,250
TOTAL OTHER FINANCING SOURCES	<u>220,000</u>	<u>246,250</u>	<u>26,250</u>
CHANGE IN FUND BALANCE	4,654	307	(4,347)
Fund balance, beginning of year	358	358	-
FUND BALANCE, END OF YEAR	<u>\$ 5,012</u>	<u>\$ 665</u>	<u>\$ (4,347)</u>

County of Houghton, Michigan

MSHDA R.R. FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended September 30, 2005

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
Federal sources	\$ 31,700	\$ 31,310	\$ (390)
Local sources	8,000	500	(7,500)
Interest	300	1,415	1,115
TOTAL REVENUES	<u>40,000</u>	<u>33,225</u>	<u>(6,775)</u>
EXPENDITURES:			
Community and Economic Development			
Other services and charges	74,507	74,542	(35)
TOTAL EXPENDITURES	<u>74,507</u>	<u>74,542</u>	<u>(35)</u>
CHANGE IN FUND BALANCE	<u>(34,507)</u>	<u>(41,317)</u>	<u>(6,810)</u>
Fund balance, beginning of year	63,334	63,334	-
FUND BALANCE, END OF YEAR	<u>\$ 28,827</u>	<u>\$ 22,017</u>	<u>\$ (6,810)</u>

County of Houghton, Michigan

VETERAN'S TRUST FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended September 30, 2005

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
State sources	\$ 4,332	\$ 4,332	\$ -
TOTAL REVENUES	<u>4,332</u>	<u>4,332</u>	<u>-</u>
EXPENDITURES:			
Health and Welfare:			
Other services and charges	<u>4,717</u>	<u>4,499</u>	<u>218</u>
TOTAL EXPENDITURES	<u>4,717</u>	<u>4,499</u>	<u>218</u>
CHANGE IN FUND BALANCE	(385)	(167)	218
Fund balance, beginning of year	<u>345</u>	<u>345</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ (40)</u>	<u>\$ 178</u>	<u>\$ 218</u>

County of Houghton, Michigan

SAP GRANT

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended September 30, 2005

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Federal sources	<u>\$ 21,250</u>	<u>\$ 21,250</u>	<u>\$ -</u>
TOTAL REVENUES	<u>21,250</u>	<u>21,250</u>	<u>-</u>
EXPENDITURES:			
Public Safety:			
Other services and charges	<u>21,250</u>	<u>21,250</u>	<u>-</u>
TOTAL EXPENDITURES	<u>21,250</u>	<u>21,250</u>	<u>-</u>
CHANGE IN FUND BALANCE	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

County of Houghton, Michigan

WMD GRANT FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended September 30, 2005

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
Federal sources	\$ 13,151	\$ 15,297	\$ 2,146
TOTAL REVENUES	<u>13,151</u>	<u>15,297</u>	<u>2,146</u>
EXPENDITURES:			
Public Safety:			
Other services and charges	13,430	15,297	(1,867)
TOTAL EXPENDITURES	<u>13,430</u>	<u>15,297</u>	<u>(1,867)</u>
CHANGE IN FUND BALANCE	(279)	-	279
Fund balance, beginning of year	-	-	-
FUND BALANCE, END OF YEAR	<u>\$ (279)</u>	<u>\$ -</u>	<u>\$ 279</u>

County of Houghton, Michigan

FAMILY COUNSELING FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended September 30, 2005

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
Charges for services	\$ 2,900	\$ 3,755	\$ 855
TOTAL REVENUES	<u>2,900</u>	<u>3,755</u>	<u>855</u>
EXPENDITURES:			
Health and welfare:			
Other services and charges	<u>1,200</u>	<u>1,192</u>	<u>8</u>
TOTAL EXPENDITURES	<u>1,200</u>	<u>1,192</u>	<u>8</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,700</u>	<u>2,563</u>	<u>863</u>
OTHER FINANCING (USES):			
Transfer in (out)	<u>(3,000)</u>	<u>(3,000)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES	<u>(3,000)</u>	<u>(3,000)</u>	<u>-</u>
CHANGE IN FUND BALANCE	<u>(1,300)</u>	<u>(437)</u>	<u>863</u>
Fund balance, beginning of year	<u>18,087</u>	<u>18,087</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 16,787</u></u>	<u><u>\$ 17,650</u></u>	<u><u>\$ 863</u></u>

County of Houghton, Michigan

ECONOMIC DEVELOPMENT REVOLVING LOAN FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended September 30, 2005

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
Interest on loan	\$ 8,500	\$ 3,037	\$ (5,463)
Interest earned	6,000	7,410	1,410
Loan principal	66,495	63,459	(3,036)
TOTAL REVENUES	<u>80,995</u>	<u>73,906</u>	<u>(7,089)</u>
EXPENDITURES:			
Community and Economic Development			
Other services and charges	145,000	140,706	4,294
TOTAL EXPENDITURES	<u>145,000</u>	<u>140,706</u>	<u>4,294</u>
CHANGE IN FUND BALANCE	(64,005)	(66,800)	(2,795)
Fund balance, beginning of year	<u>238,042</u>	<u>238,042</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 174,037</u>	<u>\$ 171,242</u>	<u>\$ (2,795)</u>

County of Houghton, Michigan

SEWAGE DISPOSAL #1 BOND DEBT RETIREMENT FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended September 30, 2005

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
Local units	\$ 17,000	\$ 22,344	\$ 5,344
Torch Lake Sewage Authority	72,000	69,429	(2,571)
Interest	325	1,174	849
TOTAL REVENUES	<u>89,325</u>	<u>92,947</u>	<u>3,622</u>
EXPENDITURES:			
Debt Service:			
Principal retirement	85,000	85,000	-
Interest and fiscal charges	13,000	13,000	-
TOTAL EXPENDITURES	<u>98,000</u>	<u>98,000</u>	<u>-</u>
CHANGES IN FUND BALANCE	<u>(8,675)</u>	<u>(5,053)</u>	<u>3,622</u>
Fund balance, beginning of year	<u>51,329</u>	<u>51,329</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 42,654</u></u>	<u><u>\$ 46,276</u></u>	<u><u>\$ 3,622</u></u>

County of Houghton, Michigan

NON-MAJOR CAPITAL PROJECTS FUNDS

COMBINING BALANCE SHEET

September 30, 2005

	Airport Improvement Fund	Arena Project Fund	Solid Waste Fund	Building Authority Construction Fund	Courthouse Project Fund	Total
ASSETS						
Cash and cash equivalents	\$ 127,855	\$ 25,626	\$ -	\$ 1,467	\$ -	\$ 154,948
Accounts receivable	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 127,855</u>	<u>\$ 25,626</u>	<u>\$ -</u>	<u>\$ 1,467</u>	<u>\$ -</u>	<u>\$ 154,948</u>
LIABILITIES AND FUND BALANCE						
LIABILITIES:						
Cash overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE:						
Unreserved	127,855	25,626	-	1,467	-	154,948
TOTAL FUND BALANCE	<u>127,855</u>	<u>25,626</u>	<u>-</u>	<u>1,467</u>	<u>-</u>	<u>154,948</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 127,855</u>	<u>\$ 25,626</u>	<u>\$ -</u>	<u>\$ 1,467</u>	<u>\$ -</u>	<u>\$ 154,948</u>

County of Houghton, Michigan

NON-MAJOR CAPITAL PROJECTS FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Fiscal Year Ended September 30, 2005

	Airport Improvement Fund	Arena Project Fund	Solid Waste Fund	Building Authority Construction Fund	Courthouse Projects Fund	Total
REVENUES:						
Interest	\$ -	\$ 3,556	\$ -	\$ -	\$ 991	\$ 4,547
Local sources	10,013	(6,500)	-	-	-	3,513
TOTAL REVENUES	10,013	(2,944)	-	-	991	8,060
EXPENDITURES:						
Debt service	3,221	-	-	-	-	3,221
Capital outlay	3,686	609,343	-	-	48,114	661,143
TOTAL EXPENDITURES	6,907	609,343	-	-	48,114	664,364
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	3,106	(612,287)	-	-	(47,123)	(656,304)
OTHER FINANCING SOURCES (USES):						
Loan proceeds	-	650,000	-	-	-	650,000
Transfers in	-	-	-	-	15,740	15,740
Transfers (out)	-	(12,442)	-	-	-	(12,442)
TOTAL OTHER FINANCING SOURCES	-	637,558	-	-	15,740	653,298
CHANGES IN FUND BALANCE	3,106	25,271	-	-	(31,383)	(3,006)
Fund balance, beginning of year	124,749	355	-	1,467	31,383	157,954
FUND BALANCE, END OF YEAR	\$ 127,855	\$ 25,626	\$ -	\$ 1,467	\$ -	\$ 154,948

County of Houghton, Michigan

NON-MAJOR ENTERPRISE FUNDS

COMBINING STATEMENT OF NET ASSETS

September 30, 2005

ASSETS	911 Fund	Solid Waste Transfer	Airport Water/Sewer Fund	Airport Testing Fund	Marina Fund	Total
Current Assets:						
Cash and cash equivalents	\$ -	\$ 42,498	\$ 1,247	\$ -	\$ -	\$ 43,745
Investments	100,989	-	-	-	-	100,989
Accounts receivable (net)	84,899	54,299	10,057	-	-	149,255
Inventory	-	-	-	-	9,152	9,152
Prepaid and other assets	3,482	4,774	-	-	1,844	10,100
TOTAL CURRENT ASSETS	189,370	101,571	11,304	-	10,996	313,241
Non-Current Assets:						
Land and construction in progress	14,027	15,009	-	-	-	29,027
Capital assets	814,934	822,507	-	33,750	94,097	1,765,288
Accumulated depreciation	(389,632)	(509,956)	-	(18,144)	(43,299)	(961,031)
TOTAL NON-CURRENT ASSETS	439,329	327,551	-	15,606	50,798	833,284
TOTAL ASSETS	628,699	429,122	11,304	15,606	61,794	1,146,525
LIABILITIES						
Current Liabilities:						
Cash fund overdraft	35,089	-	-	-	8,465	43,554
Accounts payable	25,561	38,482	287	-	4,348	68,678
Due to other funds	-	136,791	-	-	-	136,791
Accrued payroll and related liabilities	434	1,888	-	-	261	2,583
Accrued sick and vacation	-	16,466	-	-	-	16,466
Deferred revenue	59,769	-	-	-	-	59,769
Current portion of notes payable	190,455	17,398	-	-	-	207,853
TOTAL CURRENT LIABILITIES	311,308	211,025	287	-	13,074	535,694
Non-current Liabilities:						
Notes payable	212,570	17,398	-	-	-	229,968
TOTAL NON-CURRENT LIABILITIES	212,570	17,398	-	-	-	229,968
TOTAL LIABILITIES	523,878	228,423	287	-	13,074	765,662
NET ASSETS						
Invested in capital assets net of related debt	226,759	310,153	-	15,606	50,798	603,316
Unrestricted	(121,938)	(109,454)	11,017	-	(2,078)	(222,453)
TOTAL NET ASSETS	\$ 104,821	\$ 200,699	\$ 11,017	\$ 15,606	\$ 48,720	\$ 380,863

County of Houghton, Michigan

NON-MAJOR ENTERPRISE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

For the Fiscal Year Ended September 30, 2005

	911 Fund	Solid Waste Transfer	Airport Water/Sewer Fund	Airport Testing Fund	Marina Fund	Total
OPERATING REVENUES:						
Charges for services (net)	\$ 534,841	\$ 655,418	\$ 42,672	\$ -	\$ 228,964	\$ 1,461,895
Other	16,493	-	7,802	-	-	24,295
TOTAL OPERATING REVENUES	551,334	655,418	50,474	-	228,964	1,486,190
OPERATING EXPENSES:						
Operating expenses	1,223,114	550,394	39,537	-	211,670	2,024,715
Depreciation	86,295	51,765	-	1,688	12,480	152,228
TOTAL OPERATING EXPENSES	1,309,409	602,159	39,537	1,688	224,150	2,176,943
OPERATING INCOME (LOSS)	(758,075)	53,259	10,937	(1,688)	4,814	(690,753)
NON-OPERATING REVENUES (EXPENSES):						
Investment income	7,790	-	-	-	-	7,790
TOTAL NON-OPERATING REVENUES (EXPENSES)	7,790	-	-	-	-	7,790
INCOME (LOSS) BEFORE TRANSFERS	(750,285)	53,259	10,937	(1,688)	4,814	(682,963)
Transfers in	-	-	-	-	-	-
Transfers (out)	-	(70,000)	-	-	-	(70,000)
CHANGE IN NET ASSETS	(750,285)	(16,741)	10,937	(1,688)	4,814	(752,963)
Net assets Beginning of year	855,106	217,440	80	17,294	43,906	1,133,826
NET ASSETS, END OF YEAR	\$ 104,821	\$ 200,699	\$ 11,017	\$ 15,606	\$ 48,720	\$ 380,863

County of Houghton, Michigan

NON-MAJOR ENTERPRISE FUNDS

COMBINING STATEMENT OF CASH FLOWS

For the Fiscal Year Ended September 30, 2005

	911 Fund	Solid Waste Transfer	Airport Water/Sewer Fund	Airport Testing Fund	Marina Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:						
Cash received from fees and charges for services	\$ 557,129	\$ 643,047	\$ 34,601	\$ -	\$ 228,964	\$ 1,463,741
Other operating revenues	16,493	-	7,802	-	-	24,295
Cash payments to employees for services	(9,114)	825	-	-	103	(8,186)
Cash payments for payroll taxes	-	-	-	-	-	-
Cash payments to suppliers for goods and services	(1,202,645)	(545,086)	(42,042)	-	(218,104)	(2,007,877)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(638,137)</u>	<u>98,786</u>	<u>361</u>	<u>-</u>	<u>10,963</u>	<u>(528,027)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:						
Increase (decrease) in due to other funds	-	(15,000)	-	-	-	(15,000)
Transfers in (out)	-	(70,000)	-	-	-	(70,000)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		<u>(85,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(85,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Cash payments for capital assets	-	-	-	-	-	-
Principal payments on notes	403,025	(17,399)	-	-	-	385,626
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>403,025</u>	<u>(17,399)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>385,626</u>
CASH FLOWS FROM INVESTING ACTIVITIES:						
(Increase) decrease in investments	(100,989)	-	-	-	-	(100,989)
Interest income	7,790	-	-	-	-	7,790
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(93,199)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(93,199)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(328,311)</u>	<u>(3,613)</u>	<u>361</u>	<u>-</u>	<u>10,963</u>	<u>(320,600)</u>
Cash and cash equivalents, beginning of year	293,222	48,111	886	-	(19,428)	320,791
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ (35,089)</u>	<u>\$ 42,498</u>	<u>\$ 1,247</u>	<u>\$ -</u>	<u>\$ (8,465)</u>	<u>\$ 191</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:						
Operating income (loss)	\$ (758,075)	\$ 53,259	\$ 10,937	\$ (1,688)	\$ 4,814	\$ (690,753)
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation	86,295	51,765	-	1,688	12,479	152,227
Change in assets and liabilities:						
(Increase) decrease in accounts receivable	22,288	(12,371)	(8,071)	-	-	1,846
(Increase) decrease in inventory	-	-	-	-	201	201
(Increase) decrease in prepaid expenses	2,745	875	-	-	354	3,974
Increase (decrease) in accounts payable	17,724	4,433	(2,505)	-	(6,988)	12,664
Increase (decrease) in accrued payroll and related liabilities	(3,108)	317	-	-	103	(2,688)
Increase (decrease) in accrued sick and vacation	(6,006)	508	-	-	-	(5,498)
Increase (decrease) in deferred revenue	-	-	-	-	-	-
NET ADJUSTMENTS	<u>119,938</u>	<u>45,527</u>	<u>(10,576)</u>	<u>1,688</u>	<u>6,149</u>	<u>162,726</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (638,137)</u>	<u>\$ 98,786</u>	<u>\$ 361</u>	<u>\$ -</u>	<u>\$ 10,963</u>	<u>\$ (528,027)</u>

County of Houghton, Michigan
ALL INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS

September 30, 2005

ASSETS	September 30, 2005										Total
	1996 Delinquent Tax Revolving Fund	1997 Delinquent Tax Revolving Fund	1998 Delinquent Tax Revolving Fund	1999 Delinquent Tax Revolving Fund	2000 Delinquent Tax Revolving Fund	2001 Delinquent Tax Revolving Fund	2002 Delinquent Tax Revolving Fund	2003 Delinquent Tax Revolving Fund	2004 Delinquent Tax Revolving Fund	2005 Delinquent Tax Revolving Fund	
Current Assets:											
Cash and cash equivalents	\$ -	\$ -	\$ 59,773	\$ 17,275	\$ 70,652	\$ 236,588	\$ 192,829	\$ 28,133	\$ -	\$ -	\$ 605,260
Investments	-	-	-	-	-	-	-	11,654	-	864	12,516
Accrued interest receivable	-	-	-	-	-	-	11,553	23,672	46,189	-	81,414
Delinquent tax receivable	-	-	(16,751)	135,614	-	-	37,266	124,462	659,940	(834)	935,687
Due from others	-	-	-	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-	-	-
TOTAL CURRENT ASSETS	-	-	43,012	152,889	70,652	236,588	241,648	187,921	706,129	30	1,638,879
TOTAL ASSETS	-	-	43,012	152,889	70,652	236,588	241,648	187,921	706,129	30	1,638,879
LIABILITIES											
Current Liabilities:											
Cash overdraft	-	-	-	-	-	-	376	-	583,008	-	583,008
Due to other units	-	-	-	-	1,445	1,792	-	684	-	-	4,297
Due to other funds	-	-	-	-	-	-	-	-	-	-	-
TOTAL CURRENT LIABILITIES	-	-	-	-	1,445	1,792	376	684	583,008	-	587,305
TOTAL LIABILITIES	-	-	-	-	1,445	1,792	376	684	583,008	-	587,305
NET ASSETS	-	-	43,012	152,889	69,217	234,796	241,272	187,237	123,121	30	1,051,574
Unrestricted	-	-	43,012	152,889	69,217	234,796	241,272	187,237	123,121	30	1,051,574
TOTAL NET ASSETS	-	-	43,012	152,889	69,217	234,796	241,272	187,237	123,121	30	1,051,574

County of Houghton, Michigan

ALL INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

For the Fiscal Year Ended September 30, 2005

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	Total
	Delinquent Tax Revolving Fund	Delinquent Tax Revolving Fund	Delinquent Tax Revolving Fund	Delinquent Tax Revolving Fund	Delinquent Tax Revolving Fund	Delinquent Tax Revolving Fund	Delinquent Tax Revolving Fund	Delinquent Tax Revolving Fund	Delinquent Tax Revolving Fund	Delinquent Tax Revolving Fund	
OPERATING REVENUES:											
Penalties and interest on taxes	\$ -	\$ -	\$ 6,276	\$ -	\$ -	\$ 1,881	\$ 19,423	\$ 39,916	\$ 81,621	\$ 6	\$ 148,923
Interest earned	-	-	3,599	4,023	6,479	4,529	3,862	3,311	7,328	-	33,231
Collection fees on taxes	-	-	374	46	63	263	4,295	21,208	35,558	24	61,771
Other revenues	-	-	-	-	-	45	537	7,358	-	-	8,240
TOTAL OPERATING REVENUES	-	-	10,249	4,069	6,542	6,558	28,417	71,793	124,507	30	252,165
OPERATING EXPENSES:											
Other operating expenses	40,488	-	1,206	942	1,369	1,106	903	974	1,537	-	48,525
TOTAL OPERATING EXPENSES	40,488	-	1,206	942	1,369	1,106	903	974	1,537	-	48,525
OPERATING INCOME (LOSS) BEFORE TRANSFERS	(40,488)	-	9,043	3,127	5,173	5,452	27,514	70,819	122,970	30	203,640
Transfers in	-	-	-	-	-	-	-	-	-	-	-
Transfers (out)	-	-	-	(125,000)	(200,000)	-	-	-	-	-	(325,000)
CHANGE IN NET ASSETS	(40,488)	-	9,043	(121,873)	(194,827)	5,452	27,514	70,819	122,970	30	(121,360)
Net assets, beginning of year	40,488	-	33,969	274,762	264,044	229,344	213,758	116,418	151	-	1,172,934
NET ASSETS, END OF YEAR	-	\$ -	\$ 43,012	\$ 152,889	\$ 69,217	\$ 234,796	\$ 241,272	\$ 187,237	\$ 123,121	\$ 30	\$ 1,051,574

County of Houghton, Michigan
ALL INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF CASH FLOWS

For the Fiscal Year Ended September 30, 2005

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	Total
	Delinquent Tax Revolving Fund	Delinquent Tax Revolving Fund	Delinquent Tax Revolving Fund	Delinquent Tax Revolving Fund	Delinquent Tax Revolving Fund	Delinquent Tax Revolving Fund	Delinquent Tax Revolving Fund	Delinquent Tax Revolving Fund	Delinquent Tax Revolving Fund	Delinquent Tax Revolving Fund	
CASH FLOWS FROM OPERATING ACTIVITIES:											
Cash received from fees and charges for services	\$ -	\$ -	\$ 6,650	\$ 48	\$ 63	\$ 9,182	\$ 39,446	\$ 79,775	\$ 70,990	\$ 30	\$ 206,182
Other operating revenues	-	-	-	-	-	45	837	7,358	-	-	8,240
Interest earned	-	-	3,599	4,023	6,479	4,629	3,862	3,311	7,328	-	33,231
Other operating expenses	(40,488)	-	(1,206)	(942)	(1,989)	(1,106)	(803)	(974)	(1,537)	-	(48,525)
Cash received from (paid for) delinquent taxes	40,488	-	16,761	-	(11)	25,439	192,456	(57,667)	(682,986)	834	(634,685)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	-	-	25,804	3,127	5,162	38,189	145,698	31,803	(586,205)	864	(335,558)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:											
Increase (decrease) in due to/from other funds	-	-	(181,994)	(40,336)	25,424	-	-	(50,103)	-	-	(247,009)
Transfers in (out)	-	-	-	(123,000)	(200,000)	-	-	-	-	-	(323,000)
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	-	-	(181,994)	(163,336)	(174,576)	-	-	(50,103)	-	-	(572,009)
CASH FLOWS FROM INVESTING ACTIVITIES:											
(Increase) decrease in investments	-	-	-	-	-	-	-	(11,854)	-	(864)	(12,518)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	-	-	-	-	-	-	-	(11,854)	-	(864)	(12,518)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-	-	(156,190)	(162,209)	(169,414)	38,189	145,698	(29,954)	(586,205)	864	(920,085)
Cash and cash equivalents, beginning of year	-	-	215,963	179,484	240,076	198,369	47,131	58,087	3,197	-	945,337
CASH AND CASH EQUIVALENTS, END OF YEAR	-	-	\$ 59,773	\$ 17,275	\$ 70,662	\$ 236,558	\$ 192,829	\$ 28,133	\$ (583,008)	\$ 864	\$ 22,252
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:											
Operating income (loss)	\$ (40,488)	\$ -	\$ 9,043	\$ 3,127	\$ 5,173	\$ 5,452	\$ 27,514	\$ 70,819	\$ 122,970	\$ 30	\$ 203,640
Adjustments to reconcile operating income to net cash provided by operating activities:											
Change in assets and liabilities:											
(Increase) decrease in accrued interest receivable	-	-	-	-	-	7,298	15,728	18,651	(46,189)	-	(4,512)
(Increase) decrease in delinquent taxes receivable	-	-	16,761	-	-	24,582	106,319	480,146	(662,986)	834	(34,344)
(Increase) decrease in due from others	40,488	-	-	-	-	-	-	-	-	-	40,488
Increase (decrease) in due to others	-	-	-	-	(11)	857	(3,863)	(537,813)	-	-	(540,830)
NET ADJUSTMENTS	40,488	-	16,761	-	(11)	32,737	118,184	(39,016)	(703,175)	834	(639,198)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ -	\$ -	\$ 25,804	\$ 3,127	\$ 5,162	\$ 38,189	\$ 145,698	\$ 31,803	\$ (586,205)	\$ 864	\$ (335,558)

County of Houghton, Michigan

FIDUCIARY FUNDS

COMBINING STATEMENT OF NET ASSETS

September 30, 2005

	Trust & Agency Fund	Tax Revolving Fund	Library Fund	Payroll Fund	Total
ASSETS					
Cash and cash equivalents	\$ 883,332	\$ -	\$ 55,289	\$ 3,472	\$ 942,093
TOTAL ASSETS	<u>\$ 883,332</u>	<u>\$ -</u>	<u>\$ 55,289</u>	<u>\$ 3,472</u>	<u>\$ 942,093</u>
LIABILITIES					
Due to other funds	\$ -	\$ -	\$ -	\$ 3,472	\$ 3,472
Due to others	883,332	-	55,289	-	938,621
TOTAL LIABILITIES	<u>\$ 883,332</u>	<u>\$ -</u>	<u>\$ 55,289</u>	<u>\$ 3,472</u>	<u>\$ 942,093</u>

COMPLIANCE SUPPLEMENTS



ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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WISCONSIN
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Chairman and Members of
the Board of Commissioners
County of Houghton, Michigan
401 E. Houghton Avenue
Houghton, MI 49931

We have audited the financial statements of the County of Houghton, Michigan as of and for the year ended September 30, 2005, and have issued our report thereon dated February 9, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County of Houghton, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over financial reporting that in our judgment, could adversely affect the County of Houghton, Michigan's ability to record, process, summarize and report financial data consistent with assertions of management in the financial statements. Reportable conditions are described in a separate letter to management of the County of Houghton, Michigan dated February 9, 2006.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk of material misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Houghton, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provision of laws, regulations, contracts, grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. These instances are described in a separate letter to management of the County of Houghton, Michigan dated February 9, 2006.

Honorable Chairman and Members of
the Board of Commissioners
County of Houghton, Michigan

This report is intended solely for the information and use of management, state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

February 9, 2006



ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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County of Houghton, Michigan
Report to Management Letter
For the Year Ended September 30, 2005

To the Honorable Chairman and Members of
The Board of Commissioners
County of Houghton, Michigan
Houghton, MI 49931

In planning and performing our audit of the financial statements of the County of Houghton for the year ended September 30, 2005, we considered its internal accounting control structure for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to deficiencies in the design or operation of the internal control structure that, in our judgment, could affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Reportable Conditions

Fund Balance Deficit

At September 30, 2005 the following funds had an unrestricted equity deficit:

<u>Fund</u>	<u>Deficit Equity Balance</u>
Business-Type Activities:	
Airport – Unrestricted	\$984,069
911 – Unrestricted	121,938
Solid Waste Transfer	109,454
Marina	2,078

Public Act 275 of 1980 requires that all deficits in any fund balances of local units be disclosed and enumerated upon in Footnotes of the financial statements.

To the Honorable Chairman and Members of
The Board of Commissioners

In accordance with the Act, a corrective action plan for the deficit is required to be filed with the State Treasurer within 90 days of the end of the fiscal year. As of this time, Houghton County has not filed such a plan. We recommend Houghton County monitor the fund closer in future years to ensure there are sufficient revenues to cover the expenditures each year.

Instances of Non-compliance

Uniform Budgeting and Accounting Act (P.A. 621)

The State of Michigan has enacted Public Act 621, the Uniform Budgeting and Accounting Act, to provide for a system of uniform procedures for the preparation and execution of budgets in local units of government. The purpose of P.A. 621 is to require that all local units of government adopt balanced budgets, to establish responsibilities and define the procedure for the preparation, adoption and maintenance of the budget, and to require certain information for the budget process, including data for capital construction projects. The major provisions of P.A. 621 are as follows:

1. Local Units of government must adopt a budget.
2. The budget, including accrued deficits and available unappropriated surpluses, must be balanced.
3. The budget must be amended when necessary.
4. Debt shall not be entered into unless the debt is permitted by law.
5. Expenditures shall not be incurred in excess of the amount appropriated.
6. Expenditures shall not be made unless authorized in the budget.
7. Violations of the act, disclosed in an audit of the financial records, in the absence of reasonable procedures, shall be filed with the State Treasurer and reported to the Attorney General.

The County was found to be in violation of the legal and contractual provisions of the Uniform Budgeting and Accounting Act (Public Act 621) in certain individual funds as enumerated upon in Footnote N of the financial statements.

* * * * *

The above reportable conditions in the internal control structure and instances of non-compliance are noted for your consideration. The following comments are not reportable conditions as defined by the AICPA but are management points for which we feel consideration should also be given.

To the Honorable Chairman and Members of
The Board of Commissioners

Other Comments and Recommendations

Cash Deficits in Certain Funds

At September 30, 2005 the following funds had a cash and investment deficit:

<u>Fund</u>	<u>Deficit Cash/ Investment Balance</u>
Governmental Activities:	
General Fund	\$391,659
Special Revenue Funds:	
Tri-County Community Worker Camp	4,732
SHSGP Path II Training	501
Child Care	287
WMD Grant	13,152
Internal Service Funds:	
Delinquent Tax Fund – 2004	583,008
Business-Type Activities:	
Airport	1,000,759
Marina	8,462

Although these funds had cash deficits the overall cash position of the County is positive at slightly over \$8 million for the total government. These deficits due however represent use of resources of other funds and in essence are inter-fund working capital loans or advances. We remind the Board these are normally short term in nature. We suggest the Board evaluate the remedy to replenish these funds and restore them to a more natural position.

This report is intended solely for the information and use of the County's management, and others within the County Administration.

We appreciate and would like to thank the County's staff for the cooperation and courtesy extended to us during our audit. We would be pleased to discuss any comments or answer any questions regarding our audit with you at your convenience.

Anderson, Tackman & Company, PLC
Certified Public Accountants

February 9, 2006

**COUNTY OF HOUGHTON, MICHIGAN
FEDERAL FINANCIAL ASSISTANCE
For the Year Ended September 30, 2005**

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REPORT ON COMPLIANCE AND OTHER MATTERS AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

Honorable Chairman and Members of
the Board of Commissioners
County of Houghton, Michigan
401 E. Houghton Avenue
Houghton, MI 49931

We have audited the financial statements of the governmental activities, business-type activities, discretely presented component units, major funds and remaining fund information of the County of Houghton, Michigan as of and for the year ended September 30, 2005, and have issued our report thereon dated February 9, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Houghton, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provision of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. These instances are described in the accompanying schedule of findings and questioned costs as item 2005-1.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County of Houghton, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting, that, in our judgment, could adversely affect the County of Houghton, Michigan's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 2005-2.

Honorable Chairman and Members of
the Board of Commissioners
County of Houghton, Michigan

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in the amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

This report is intended solely for the information and use of the audit committee, management, Board of the County of Houghton, Michigan, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

February 9, 2006



ANDERSON, TACKMAN & COMPANY, P.L.C.

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Chairperson and Members
of the Board of Commissioners
County of Houghton
401 E. Houghton Avenue
Houghton, Michigan 49931

Compliance

We have audited the compliance of the County of Houghton, Michigan with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2005. The County of Houghton, Michigan's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County of Houghton, Michigan's management. Our responsibility is to express an opinion on the County of Houghton, Michigan's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County of Houghton, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County of Houghton, Michigan's compliance with those requirements.

In our opinion, the County of Houghton, Michigan complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2005.

Honorable Chairperson and Members of
the Board of Commissioners
County of Houghton, Michigan

Internal Control Over Compliance

The management of the County of Houghton, Michigan is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County of Houghton, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the County of Houghton, Michigan, as of and for the year ended September 30, 2005, and have issued our report thereon dated February 9, 2006. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

This report is intended for the information of the Board of Commissioners, management, and federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

February 9, 2006

County of Houghton, Michigan
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2005

Program Title	CFDA Number	Pass through Grantor Number	Federal Expenditures
<u>PRIMARY REPORTING UNIT</u>			
Department of Agriculture:			
Passed through Michigan Department of Natural Resources			
Title III - County Projects - Schools and Roads	10.665	N/A	\$ 35,047
TOTAL DEPARTMENT OF AGRICULTURE			<u>35,047</u>
Department of Health & Human Services:			
Passed through Michigan Family Independence Agency:			
FOC - Incentive	93.563	N/A	49,222
FOC - Cooperative Reimbursement	93.563	CS/FOC-00-31001	178,455
FOC - Cooperative Reimbursement	93.563	CS/FOC-05-31001 1	246
FOC - Medical Support Enforcement Agreement	93.563	CS/MED-00-31001	8,723
PA - Cooperative Reimbursement	93.563	CS/PA-00-31002	20,447
TOTAL DEPARTMENT OF HEALTH & HUMAN SERVICES			<u>257,093</u>
Federal Emergency Management Agency:			
Passed through State Emergency Management Office:			
Civil Defense - State Shared Emergency Management Assistance	83.503	N/A	19,296
TOTAL FEDERAL EMERGENCY MANAGEMENT AGENCY			<u>19,296</u>
Department of Commerce:			
Passed through Department of Consumer & Industry Services:			
Community Development Block Grant	14.228	M-2002-0739	31,310
Community Development Block Grant	14.228	MSC-2003-0739-HOA	57,106
Community Development Block Grant	14.228	MSC-2004-0739-HOA	51,098
TOTAL DEPARTMENT OF COMMERCE			<u>139,514</u>
U.S. Department of Homeland Security			
Passed through Michigan State Police:			
2003 State Homeland Security Grant Program Exercise Grant Agreement	97.004	N/A	4,000
Hazard Mitigation Grant Agreement	83.548	FEMA-1346-DR-MI	48,377
2003 State Homeland Security Grant Program Part II Training Grant Agreement	97.004	N/A	1,599
2003 State Homeland Security Grant Program Part II Solution Area Planner Grant	97.004	N/A	21,250
2004 Homeland Security Grant Program	97.004	N/A	15,297
TOTAL DEPARTMENT OF HOMELAND SECURITY			<u>90,523</u>
<u>DISCRETELY PRESENTED COMPONENT UNITS</u>			
WESTERN U.P. DISTRICT HEALTH DEPARTMENT:			
Department of Agriculture:			
Passed through Department of Community Health:			
Special Supplemental Food Program for Women, Infants, and Children (WIC)	10.557	38-6004855	205,409
TOTAL DEPARTMENT OF AGRICULTURE			<u>205,409</u>
Department of Health & Human Services:			
Passed through Department of Community Health:			
Family Planning Services	93.217	38-6004855	45,256
Maternal and Child Health Services Block Grant:			
Family Planning	93.994	38-6004855	9,416
Oral Health	93.994	38-6004855	62,500
Case Management	93.994	38-6004855	10,999
Local MCH Program	93.994	38-6004855	45,279
Childhood Immunization	93.268	38-6004855	21,869
Childhood Immunization Vaccine Handling	93.268	38-6004855	1,730
Case Management Services	93.778	38-6004855	7,152
Breast and Cervical Cancer Control Program	93.919	38-6004857	51,500
Bioterrorism - Focus A	93.283	38-6004856	124,451
Bioterrorism - Focus B	93.283	38-6004856	21,309
Bioterrorism - Focus E	93.283	38-6004856	26,028
Bioterrorism - Focus F	93.283	38-6004856	10,103
Bioterrorism - Focus G	93.283	38-6004856	20,423
Federal Vaccines shipped at cost	93.268	38-6004856	264,922
Passed through UPCAP:			
Title IIID Health Screening	93.043	NA	13,765
TOTAL DEPARTMENT OF HEALTH & HUMAN SERVICES			<u>736,702</u>
HOUGHTON COUNTY ROAD COMMISSION:			
Department of Homeland Security:			
Passed through Emergency Management Division Michigan State Police			
FEMA Disaster	97.048	NA	59,809
TOTAL DEPARTMENT OF HOMELAND SECURITY			<u>59,809</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE - REPORTING UNIT			<u>\$ 1,543,393</u>

COUNTY OF HOUGHTON, MICHIGAN
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2005

NOTE A - BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the County of Houghton, Michigan and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B - OVERSIGHT AGENCY:

The U.S. Department of Health and Human Services is the current year's oversight agency for the single audit as determined by the agency providing the largest share of the County's federal financial assistance.

NOTE C - PASS-THROUGH GRANTOR'S NUMBER:

The Pass-Through grantor's number represents the Facility's provider I.D. number. Such other I.D. numbers were not available or provided by State administering agencies.

COUNTY OF HOUGHTON, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2005

Section I - Summary of Auditors' Results

Financial Statements

- Type of auditors' report issued: Unqualified.
- Internal control over financial reporting:
 - ▶ No material weaknesses were identified.
 - ▶ There were reportable conditions reported (refer to Section II).
- Noncompliance items material to the financial statements were identified (refer to Section II).

Federal Awards

- Internal Control over major programs:
 - ▶ No material weaknesses were identified.
 - ▶ No reportable conditions not considered to be material weaknesses were identified.
- Type of auditors' report issued on compliance for major programs: Unqualified.
- Audit findings that are required to be reported in accordance with Circular A-133, Section .510(a): None.

Major Programs

CFDA # Name of Federal Program:

93.283	Bio-terrorism
10.557	Special Supplement Food Program for Women, Infants, and Children

- Dollar threshold used to distinguish between Type A and Type B programs: \$300,000.
- Auditee qualified as low-risk auditee? YES.

Section II - Financial Statement Findings

- The following noncompliance item was noted:

#2005-1

Expenditures exceeded budget levels in certain categories and/or individual line items in various funds and component units of the reporting entity which is in violation of the Uniform Budgeting and Accounting Act (Public Act 621). We recommend the Board review the provisions of Public Act 621 and its budget policies.

- The following reportable condition was noted:

#2005-2

The following funds had a fund deficit in the unrestricted line of Net Assets as follows:

Airport	\$1,003,735
911	121,938
Solid Waste Transfer	109,454
Marina	2,078

Section III - Federal Award Findings and Questioned Costs

- There were no findings and/or questioned costs identified.

COUNTY OF HOUGHTON, MICHIGAN
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2005

- There were no prior year single audit findings and/or questioned costs identified.